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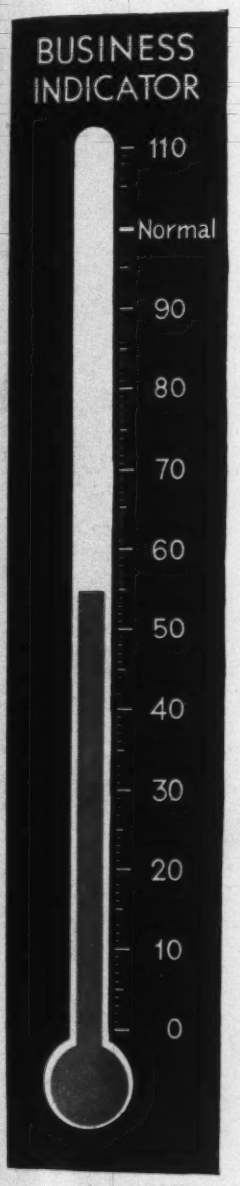
THE BUSINESS WEEK



The third quarter closes with a record of distinct improvement over the first half in many important elements of the business and financial picture. . . . The banking position has been stabilized and strengthened and a substantial basis for credit expansion established, though this has not yet noticeably begun except through government channels. . . . Security markets have recovered from the panic appraisals of capital values that prevailed in the spring and have anticipated some fall business improvement. . . . Commodity prices have responded to their release from the extreme pressure of domestic and international deflationary forces by a moderate rise and now await the stimulus of expanding consumer demand. . . . Rising material prices and depleted distributors' stocks of goods have brought a sharp spurt of activity in consumer lines and a pick-up of employment since July, which has been followed by a seasonal freshening of fall retail trade during September. . . . Even steel activity has responded slowly to a broadening of varied demand, though the leading consumers are not likely to come into the picture on any large scale this year. . . . Carloadings and electric power production make more encouraging comparisons with last year, but they are approaching their seasonal peak and the next few weeks will show whether this comparative improvement will carry on into winter, after the exciting events of the eighth of November are over.

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. . *but* DID *you get the* BUSINESS ?

What is your answer to old man stockholder? He's hard-boiled; he knows the world war is over but he also knows equally well that he is in the middle of another war . . . a war on waste.

He wants dividends and he knows that dividends come from profits . . . sales returns that exceed sales expense. In his present mood you can no longer interest him in fine-spun theories and a lot of advertising jargon. After the budget is spent there is just one thing he is going to ask you . . . "Did you get the business?" If your answer is "yes," then you don't need to explain. But if your answer is "no," the situation may become a little embarrassing.

The Daily News gives you coverage aplenty . . . intense and faithful reader interest . . . circulation in Chicago, in the evening, in the home, in the family where it will do the most good . . . the net of which spells *results!*

Chicago merchants who know more about the local Chicago newspaper situation, obviously, than anybody else, use The Chicago Daily News more than any other Chicago paper . . . morning or evening. They use more space in The Daily News than in the two morning papers combined, and, for the most part, more space in the six-day issues of The Daily News than in the seven-day issues of any other Chicago newspaper.

Everybody is asking, "Why does The Daily News get the advertising?" The answer is, "Because its advertisers get results."

The Chicago Daily News, with its circulation 96% concentrated . . . no Scatterville . . . no predates (tomorrow's date on today's paper) . . . no contests . . . no premiums . . . is astounding the advertising and publishing worlds by piling up the biggest comparative advertising showing of any newspaper in the United States.

THE CHICAGO DAILY NEWS

CONCENTRATED QUALITY QUANTITY EVENING CIRCULATION

National Advertising Representatives: GEORGE A. McDEVITT CO.
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This Business Week:

Railroad

To the railroad managements, the railroad users, and the railroad regulators is to be added a fourth factor in the railroad situation. Hitherto unorganized, the bondholders are banding together, and what they have to say to management, to government, and to the public will be listened to with considerable respect. *(p. 5)*

The Coolidge Commission, representing the real owners of the roads, would do well to consider Ohio. Here in one state is the perfect case study of the railroads and their competition, complete with waterways, trucks, inter-road rivalry, high finance, and all the events leading up to the railroad tragedy. *(p. 6)*

R.F.C.

Because so few of the larger projects can be gotten under way soon enough to serve as immediate relief measures, the R.F.C. is calling for more applications for smaller projects which can be financed and started up quickly, giving employment before snow flies. *(p. 13)*

Marketing

Private brands and national brands still struggle on the chain store shelves. Private brands are gaining, according to a report of the Trade Commission to the Senate, now account for an annual sale of over three-quarters of a billion. *(p. 10)*

Significant in this light is the action of a drug chain association, which will create and push its own brand. *(p. 10)*

Give-away magazines are nothing new, but they have lately assumed a larger importance. The patent medicine joke-book has become a rotogravured volume with chain-store circulation, and general advertising ambitions. *(p. 20)*

Coffee interests have united. Roasters, brokers, chain stores and wagon route houses will work together to push up declining consumption. *(p. 8)* Add signs of the times: cigarette sales, last to be hit, are first to pick up. *(p. 8)* More and better credit bureaus are a natural result of more and worse defaults. *(p. 8)* Even the grocers are astonished to learn that they make their best profits on perishables. *(p. 10)* Americans are eating more rice for breakfast. *(p. 11)*

Taxes

Those special excise taxes are yielding more disappointments than funds. Business done in anticipation of the taxes and business not done in the dull summer months of the dullest year kept revenues low. Collections this fall will be better, but not enough better to stop still higher taxes in the Congress to come. *(p. 16)*

Oil

The depression appears to be catching up with the oil industry, which has dodged it skilfully all these years. Cracking gasoline prices and production control are the signs. Standard's price cuts at the pump are as much a warning as a marketing necessity, an effort to whip up closer cooperation in the industry. *(p. 11)*

Figures

Commodity prices have slowed their upward climb but other indicators have caught the trend. Steel is up somewhat, due largely to the accumulated volume of small buyers, but big consumers, the railroads and the construction industry, have yet to show the stimulation of federal financial backing. Residential building is making progress in September. So is highway construction. Coal, electric power, and carloadings continue their seasonal rise. *(p. 32)*

Finance

A survey of credit conditions throughout the country made by the National Industrial Conference Board, at the instigation of the Young banking and industrial committees, shows that it is the little fellow (as might be expected) who needs help in getting credit. *(p. 12)*

Prosperity leases have been the one item in operating expense which retail stores have not been able to chop down to present price levels and sales volume. With everything else reduced, rent assumes a large and larger proportion of gross. *(p. 9)*

New York mutual savings banks learned what mutual aid could do in the depression, plan to make it permament with a central savings bank. *(p. 7)* Insurance companies welcome the signs of let-up in policy loans, perhaps their most serious problem in the immediate past. *(p. 7)*

Foreign

Germany, too, is anxious to restore the farmer's lost buying power, plans farm import quotas and lowering of interest rates on farm mortgages. The program will improve the immediate future but limitation of imports will eventually react against German industry, which depends so much on foreign trade. *(p. 24)*

The Royal Commission's recommendations for the Canadian railroads try to get all the benefits of consolidation without touching the primary financial and political poblems. Competition ruined them, consolidation is what they need, coordination is what they'll get. *(p. 26)*

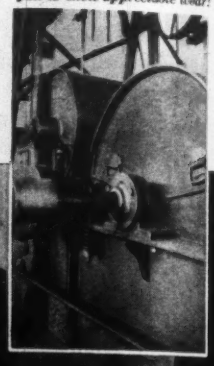
That old and experienced world salesman, Great Britain, set up its samples in Denmark last week. The Danes are enthusiastic about "Buying British" to keep Danish butter and bacon on British breakfast tables. The Argentines and the Swedes also are being urged to see how one hand helps to wash the other. *(p. 26)*

Sentiment abroad continues strong, with credit improved by French and British conversions. Despite necessity for foreign trade, new barriers loom. German industry mends; British strike ends. Conditions better in Argentina and Colombia; the Far East is quieter. *(Cables, p. 28)*

SKF BEARINGS *that are*

OLD ENOUGH TO VOTE

Kitson Picker in Perkins Hosiery Mills, Columbus, Ga. SKF Bearings have been performing on this picker for 22 years without "giving a minute's trouble." And they still fail to show appreciable wear!



A Promise is ONLY a Promise ... PERFORMANCE IS HISTORY

Installed in 1910 on Kitson Picker— they're still doing duty in 1932. . . .

22 YEARS OF UNFAILING BEARING SERVICE!

IMAGINE bearings that have been in service for 22 years and yet, because they still fail to show appreciable wear, are actually 22 years young. Imagine bearings that have been running steadily since 1910 without "giving a minute's trouble" and that today show that they are capable of serving for many years more.

No other bearing in all the world has even approached the performance records that SKF has established, for the reason that no other bearing in all the world has the same background of quality. SKF steels come from special ores from SKF mines. SKF widespread laboratories provide a fund of bearing data drawn from all parts of the world. SKF plants are specialists in bearing design and production. And, finally, SKF Bearings always are made to fit the job, never to meet the figure on a price tag. Never be tempted by low purchase price when performance is the thing you want. SKF INDUSTRIES, INC. 40 East 34th Street, New York, N. Y.

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BALL AND ROLLER BEARINGS

THE BUSINESS WEEK

The Journal of Business News and Interpretation

News of the week ending October 1, 1932

Real Owners of the Railroads Organize to Use Their Strength

They will have something to say to Congress, and something to management as well

ANNOUNCEMENT that Calvin Coolidge will head a non-partisan railroad commission to "protect the financial foundations of the railroad industry" means that a fourth estate will take active part in working out the railroads' destinies.

Hitherto there have been but 3, the rail managements, those who use rail service, and those who regulate that service—notably Congress and the Interstate Commerce Commission. Investors in rail securities, as such, have made themselves heard in specific debates, particularly since the R.F.C. began operations. Separate groups of them have attempted to intervene in individual controversies, have released statements on particular problems. But their influence has been sporadic, unorganized, and much feebler than their case merits.

Impressive Support

This is all to be changed. Messrs. Coolidge, Baruch, Howell, Legge, and Smith with all the other "big names" will represent primarily the institutional holders of $7 billions of railroad bonds ($5 billions in savings banks and insurance companies, $2 billions in churches, colleges, hospitals, and charitable organizations). But they intend to raise a standard to which all rail security holders will repair. In addition, they hope to enlist the support of business groups approaching the railroad problem from many other angles.

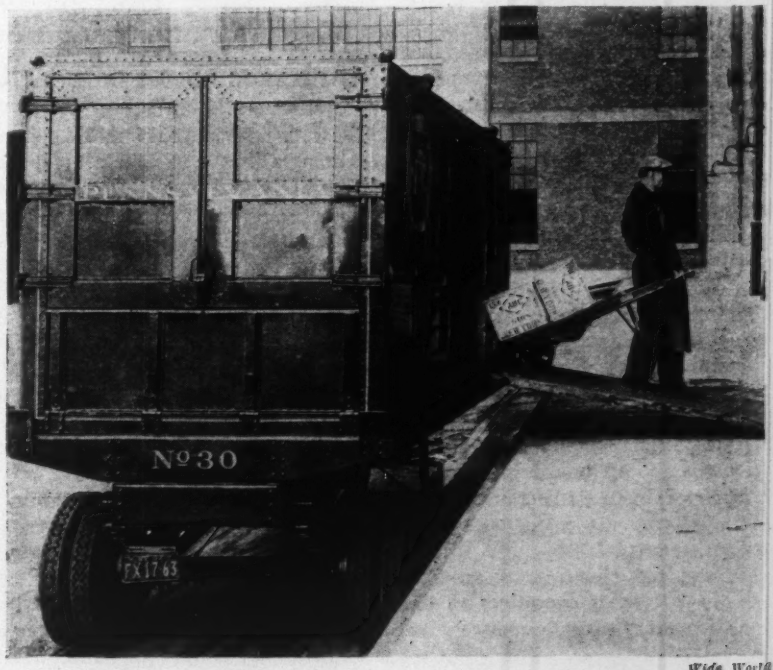
The preliminary list of sponsoring groups behind the commission includes the American Bankers Association, Investment Bankers Association, Association of Life Insurance Presidents, National Association of Mutual Savings Banks, U. S. Chamber of Commerce, New York Chamber of Commerce, Chicago Association of Commerce, New York State Bankers Association, Savings Banks Association of New York State, Security Owners Association, Yale, Harvard, Princeton, Columbia, and Chicago Universities, National Industrial Traffic League, Railway Labor Executives Association.

Obviously such an organization will speak with a powerful voice and will be in a position to say things which should make a decided impression on the rail managements, the government, the shipping and riding public.

In the narrow view, the purpose of this commission is to bring the pressure of its big names and big investment backing to bear on Congress and the public to get new legislation that will improve railroad business and strengthen railroad securities. It is expected to ask for drastic changes in the rate-making system that will curtail the powers of the I.C.C. and give the rail managements more freedom to meet economic and competitive changes without red tape and delay. It will undoubtedly press for the immediate repeal of the recapture provisions of the Transportation Act in line with the new feeling that the roads should be allowed healthier eserves against depression.

Rail Reinforcements

Bus and truck operators know all too well that they will not be overlooked in the commission's investigations, nor in its subsequent recommendations to Congress. These will unquestionably provide powerful reinforcement for the demand which is to be made on Congress to "place highway transportation agencies on a regulatory par with the railroads." And the commission's activities are likely to bring fresh grief to Major General Ashburn, head of the Inland Waterways Corp., who has just applied to the I.C.C. for permission to extend barge operations to the Missouri



Wide World

FREIGHT CAR AT THE CURB—*The Pennsylvania's new van-trailers for carlot store-door delivery in New York have doors for both side and end loading, can be hauled by several types of tractors, save handling*

next spring. The general is boasting of a profit of $8,787 on the government barge line's Mississippi and Warrior River operations—which the railroads say would be $46 millions in the hole if properly charged with the expenses.

Business Cross-Section

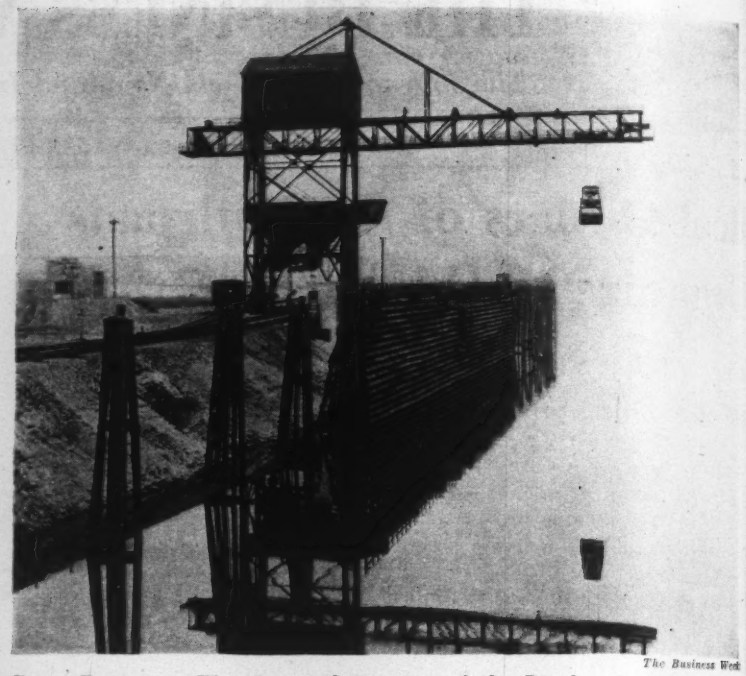
However, if such a summary of objectives suggests that this "non-partisan" commission will function only in behalf of decidedly partisan investment interests, it is patently misleading. The groups behind it make up a broad cross-section of American business of which railroading is only one phase. While their aggressiveness in behalf of rail reform will be sharpened by concern over their rail investments, it can hardly be single-minded, nor ignorant of the fact that the stability of rail investment is inextricably tied up with the whole American transportation problem.

If their interest is to save their investments and their temptation to do so at any cost to the broad and balanced development of American transportation, they will nevertheless be forced to concern themselves with every possible suggestion for such development.

As for prejudice in favor of the rail managements, on the contrary it has long been clear that rail investors have felt the necessity of exercising some reformative control over management practices. The Coolidge Commission's recommendations will go to the railroad offices as well as to Congress, are expected to cover suggested economies, to tackle delicate subjects like reciprocal buying, to urge changes in competitive set-up and a degree of modernization that may come as a shock to some of the roads. There is a hint that a railroad pledge to carry out recommended reforms will enter into the bargain that brings to the roads so impressive a presentation of their case to the public.

For Merger Economies

The commission comes into existence just as the 4 Eastern trunk lines have agreed to the I.C.C.'s consolidation plan (barring the settlement of the New England split-up which is left for later decision). It should smooth the way for completion of the consolidation program and help to transfer its promised economies from paper to practice. Its first announcement cuts across the news that President Hoover has asked the rail and rail labor executives to defer discussion of further wage cuts until the end of the year. There is strong belief that the President had the possible results of its activities in mind when he suggested that the situation would be much clearer at that time.



The Business Week

RATE BREAKER—*The river-rail junction of the Pittsburgh & Lake Erie where low costs of water transport and transfer have cut coal rates into the great industrial centers of Ohio*

Ohio Coal Freight Rates Tell Whole Drama of the Railroads

Waterways, trucks, rivalry, high finance all have roles—tragic climax suggested

FREIGHT rates on coal into Youngstown, Akron, Cleveland, Lorain, and other Ohio industrial cities are crumbling rapidly. This is important to Ohio of course, but its significance does not end there.

Here, say railroad men, is the perfect case study, a compact story which illustrates the whole railroad situation. And the drama packs a punch in that its denouement may, easily enough, be the resounding financial crash of at least one great system—and even more probably, develop our first government-owned railroad.

(1) Subsidized Waterways

Trouble began when the government in 1929 completed its long task of canalizing the Ohio River for 9-foot depth. West Virginia and Pennsylvania coal operators alike were quick to see an opportunity, and to capitalize it. The Pittsburgh & Lake Erie, for one, built at Colona, Pa., some 25 miles from Youngstown, equipment for transferring coal in 8-ton bites of clam shell buckets from river barges to gondolas. Then it filed, jointly with B. & O., Erie, and New York Central, a new schedule of rates.

The new rates were a distinct jolt to competitors—the Ohio coal operators and the railroads serving them. Coal from the Pittsburgh and Connellsville districts had paid rates of $1.34 and $1.42 respectively into Youngstown. The new rate was 77¢, plus 12¢ handling charge at Colona. Rates to Cleveland came down 48¢ a ton—60¢, less 12¢ for Colona handling.

(2) Tap-Line Competition

Not content with this, the Pittsburgh Coal Co.—giant of the industry—evolved an ingenious plan. It bought up an old electric railroad running from the Ohio River into Youngstown, set out to rebuild it and convert it for steam operation. The Pittsburgh Coal Co. intends to load its coal on the Montour Railroad, which it controls, carry it to the Ohio, transfer to its own

barges, and, at the end of the old electric line, transfer to its own rails again for the short haul from that point to Youngstown.

Youngstown is cheering, but the New York Central is not. Latest reports from the battlefront tell of Pittsburgh Coal Co. gangs relaying track across highways by night, in order to circumvent the Central and its gangs and its lawyers.

(3) Inter-Road Competition

The Pittsburgh & West Va. met these thrusts by dropping the rate from Pittsburgh district mines to Cleveland from $1.84 to $1.55.

(4) Motor Truck Competition

While all this was going on, Ohio coal operators were even unhappier than most coal operators. In this mood, they were ready to listen eagerly to some highly intelligent salesmanship from one of the greatest of motor car companies. Coal men were shown a design for truck and two trailers, total load 30 tons, and shown, too, careful estimates to prove that on a run of 100 miles, the operators could put coal into Cleveland for less than $1.74, which was the railroad rate.

Moreover, it was pointed out, the coal operator could break through into new markets by serving quantity users not located on rail sidings, as hotels, laundries, large apartment houses, and institutions. Costs to these customers could obviously be cut, because the expense of local trucking from dealer would be eliminated.

Faced with these threats, the roads serving the Ohio mining district started cutting rates. The Wheeling & Lake Erie led off by reducing rates from Ohio fields. Rates from other Ohio fields quickly came down. The Ohio commission has ordered the New York Central, the B. & O., and the Pennsylvania to put the Cambridge and Hocking districts on a parity with the Middle, Massillon, and No. 8 fields. These three roads resisted, have gone to the courts and temporarily have secured a stay.

(5) Financial Effects

All this means diminished revenues. What reduced income means to railroads just now needs no particular elaboration. However, to give one concrete example:

The Nickel Plate issued $20 millions in 6% notes, maturing Oct. 1, 1932, to purchase from the Allegheny Corp. 53% of the stock of the Wheeling & Lake Erie. Income from the W. & L. E. has been an important part of Nickel Plate revenues. All of the $20 millions of notes are pledged as collateral with the Reconstruction Finance Corp. for a loan. The Nickel Plate is trying to effect a readjustment. With W. & L. E. revenues cut, this isn't easy. If the effort fails, the government may have to take over the property—the first government foreclosure of a railroad.

It should be explained that W. & L. E. stock is trusteed and the road acts independently, not hesitating to look after its own interests even when they run contrary to the interests of the Van Sweringens. W. M. Duncan, chairman, ran the road for a long time for the Rockefellers before the "Vans" got control.

Repercussions may be felt even further. Suppose the C. & O. should find it necessary to cut coal rates from the Southern fields (Kentucky and southern West Virginia) to hold tonnage likely now to be lost to Northern mines—that would hit the C. & O. hard, and do Allegheny Corp. and the whole Van Sweringen structure practically no good at all

Central Savings Bank Planned for New York

NEW YORK STATE'S mutual savings banks are proud of their depression record. It contains no failures and only one serious run—which was quickly halted by their swift mobilization of a cooperative rescue fund. Having learned what mutual aid can do to meet a depression, they are now going to apply the lesson. If the January, 1933, session of the legislature approves they will set up Associated Mutual Savings Banks, Inc., a central banking institution empowered and equipped to use the resources of all of them for the succor of any one. Massachusetts made similar provision for savings bank safety last spring (*BW—May4'32*).

Details worked out at the 39th annual convention of the Savings Bank Association of the State of New York and already endorsed by Joseph A. Broderick, state superintendent of banks, call for an initial capital of $1 million, a surplus of $400,000. This amount will be raised by subscriptions of up to 1/40 of 1% of each member bank's deposit liabilities (minimum $500). It will be held in cash or legal bankers' acceptances readily available for emergency use.

However, in any real emergency members can be called upon for special subscriptions of up to 3% of deposits, which would put a loan fund of over $150 millions between any one of them and threatened failure.

The central bank's 7 elected governors will also have peacetime functions. They will be empowered to call upon members for information on conditions, to recommend changes in methods, to cooperate generally in improving savings bank supervision. In emergencies they will have large discretionary powers in loaning the central bank's funds to harassed members, passing on security, and exempting such members from subscriptions.

Present plans call for voluntary membership in the central institution, but the state legislature may make cooperation mandatory on all the state's 146 savings banks to protect their $5,250,000,000 deposits, their 5,800,000 depositors.

Drop in Policy Loans Relieves Insurance Men

INSURANCE companies are breathing more freely. July reports now reveal a sharp break in policyholders' demands for loans. According to latest data from the Association of Life Insurance Presidents, outstanding policy loans by 44 companies having 82% of the total admitted assets of legal reserve companies increased only $15 millions in that month compared with average monthly increases for the first half-year amounting to $19 millions in 1929, to $25 millions in 1930, to $32 millions in 1931, to $46 millions in 1932. (Largest monthly rise was $69 millions in November, 1929, following the stock market crash.)

Demand 67% Off

This July drop of 67% below the average increase for the previous 6 months is partly a seasonal decline and partly the result of repayment of former loans; but a large share of the favorable showing can be credited to the fall in demand for new loans. Succeeding months may show larger totals, but if the average monthly gain in outstanding policy and premium notes can be held near the July level, greater confidence can be placed in the belief that business is on the mend.

The rapid increase in policy loans has jeopardized the investment activity of the insurance companies and threatened forced sales of their large bond holdings on an already weak market. Moreover, such loans are likely to boost the number of lapsed policies. In June, the Life Insurance Sales Research Bureau found that its index of lapse

rates based on 60 companies had reached 137% of the 1925-1926 average, a new high. This compares with 123% in March, 1932, and the 1931 average of 119%.

$50-Man Is Clothed —And Piped—For $50

YOU have heard of the 12-Pound Look and the $10,000-Beauty—hear, now, about the $50-Man. Wanamaker's, Philadelphia, has originated this gentleman to boost sales of its new men's store. Advertisements soliloquize on the plight of men who want to dress well but who can't spend over $50. Wanamaker's satisfies this yearning with a complete outfit for that amount. The buyer gets a hat, a 3-piece suit, a shirt with collar and tie, shoes, socks, garters, underwear, a belt or suspenders. The catalogue of necessities stops here—but luxuries are added, to wit, a pipe and a cane. Combination offers are commonplace in many types of merchandise; this is a new field for them.

More and Better Credit Bureaus Guide Retailers

MANY retailers meditate upon the defaulting credit customers of the past few years and promise themselves (also their bankers) that hereafter they are not going to be so easy. This attitude explains the rise in the number of credit bureaus throughout the country and the increased efficiency of their activities. There was a steady growth in the organization of local rating organizations 50 in 1900 to 300 in 1918. There are now 1,190 credit bureaus in the country, an increase of 40% over 1929.

With increase in numbers has come an improvement in the classification of records and a great speeding up of information exchange. *Management Methods* points out that in many cases a few hours is enough for a merchant in one city to check up on a credit applicant who has recently moved from a distance. It never takes more than 24 hours to get intelligence from any locality. The National Retail Credit Association is the clearing house for information and advice.

When a town decides to establish a credit bureau it gets a state charter for a non-profit corporation. In a typical case, merchants and professional men pay $35 to $300 a year, according to the size of their business. The regional manager establishes a card file of every person buying on credit from a supporting member of the bureau. A complete record of debts, finances, income, etc., is kept in code for each customer. Information is exchanged with credit organizations all over the country. Warnings of dead beats and swindlers are (discreetly) circulated.

This improvement in credit machinery has been an important factor in preventing headaches from bad debts. Credit losses have been greatest among retailers not belonging to credit bureaus —the class, incidentally, which provides 90% of the merchant bankrupts. Bad debt losses for these retailers run from 3% to 4% of credit extended. For merchants belonging to credit rating bureaus, bad debt losses average 0.8%.

Cigarettes Have Joined The Recovery Parade

HAS confidence returned to the point where Americans are willing to spend money on non-essentials? An increase in cigarette smoking—the first in 15 months—heartens the industry, stimulates encouraging meditations. Consumption of cigarettes for August topped the same month last year by 38,743,000, a rise of 0.4%. The figure marks a climax of improvement which began in May. Total for August was 9,558,921,000. Gain of this month cuts the decline for the year from 12.41% at the end of July, to 10.87%.

Two factors entered into the improvement but their extent cannot be accurately determined. One was the increase in sales of 10¢ packages, the other stimulated sales of standard brands through special prices on boxes of 50.

A better feeling is justified by arrested declines in other forms of tobacco. Large cigars were off 13.4% compared to last year but were 11% over July. Manufactured tobacco was lower by less than 1% compared to August, 1931, as against 10.35% down in for July.

"Prosperity Tokens" Bait Drug Chain's Sales Hook

WALGREEN CO., drug chain, has picked Milwaukee for the trial of a new sales device which will be applied to other cities if it makes good. Uniformed messengers deliver to housewives a bag of 15 "Golden Prosperity Tokens." Each token is stamped with the name of a drug store item. On the purchase of this item, the token is worth 10¢.

Coffee Forces Unite For Sales Campaign

COFFEE consumption has been declining. Finally the industry has done something about it. At a recent Denver convention the Associated Coffee Industries of America was formed. For the first time all interests handling the commodity are gathered into a single organization. Its object is a concerted drive for greater consumption and better practices.

Nucleus for the organization was the National Coffee Roasters Association. To this has been added complementary businesses—green coffee jobbers and brokers, chain stores, wagon route corporations. The new association has 4 sections representing these interests, each contributing a director.

W. F. Williamson, secretary manager, laid the lines for future action when he pointed out that 2 things were necessary: (*a*) a well-knit organization, (*b*) more money for promotion. Brazil and Colombia, principal exporters to the United States, have assured the organization that their appropriations for boosting sales in this country will be materially increased.

South Drinks Most

Ready to the hand of the combined coffee boosters is a comprehensive survey of our coffee drinking habits, geographically analyzed with indicated directions in which promotion may profitably be applied. Figures are based on 1930 census buttressed by other material. They bear out disclosures of the survey of the Brazilian-American Coffee Promotion Committee (*BW—Aug3'32*). Per capita annual consumption is placed at 10.74 lb., or 44 lb. for the average family of 4.1 persons. Geographical comparisons of annual drinkings are interesting:

Section	*Pounds Per Family*
North Atlantic	33
South Atlantic	42
North Central	45
South Central	52
Western	35

The survey finds invitation for greater sales in inducing soda fountains to install coffee equipment, in extending outlets to include confectionery stores, dairy-egg-poultry stores, fruit and vegetable markets, bottled water shops, meat and fish markets, bakery shops. Quality of coffee will be bettered, buying increased if cooks and housewives can be induced to use more coffee per cup. One analysis shows 55 to 65 cups per pound of coffee; authorities say 40 cups per pound is the correct proportion.

Chains Try Pleas, Wash Sales, Receivers, to Shake Off Leases

As rental charges devour ever-increasing percentages of gross, they grow desperate

LOUIS K. LIGGETT CO. has notified the landlords of its 550 retail drug stores that rents must be cut or it must resort to receivership, which voids leases. Schulte tobacco store chain issued the same warning. Thus they boldly attempt to secure by open appeal the relief that other huge leaseholders have grabbed through abrupt reorganization.

Rental charges have been the one operating expense item that most retailers and chain organizations have not been able to bring down to prevailing price levels and sales volume. Payrolls, personnel, other flexible expenses have been trimmed to the minimum, but rent has taken an ever-increasing proportion of total expenses, absorbed a growing percentage of gross sales volume.

For instance, 1,200-odd hardware retailers making annual reports to the National Retail Hardware Association paid in 1931 on the average 4.44% of their gross sales for rent, compared with 3.20% in 1928. Rentals or the equivalent absorbed 15% of their entire gross margin in 1931, only 12% in 1928. Even worse increases are shown in other lines of business where the drop in retail prices and sales volume has been more severe.

The growing menace of occupancy charges reached serious proportions in 1932 as prices on many commodities dropped to their lowest recorded levels, but has probably had more victims in the chain store field than among independent merchants. The latter generally enjoy direct and often intimate acquaintance with their landlord, are in position to plead their individual case more emphatically and with better chance for success.

Chains made many of their leases when business was good, and when new money for further expansion was easily obtained on the basis of currently rising sales volume. The real estate department of the chain or a broker carried on the negotiations. The rentals, readily assumed in 1928 or 1929, loom as huge burdens to-day. But the landlord merely knows that his rent check has been coming in regularly, that the store still is doing a rushing business, that the chain is still paying its merchandise creditors readily. He probably does not know any important executive of the chain. There is little cause for a landlord to have sympathy for an impersonal corporation. So most of the landlords have been adamant.

Some chains have gone into receivership and are now having their wash-out of leases. Others were able to stage their rent-adjustment campaigns with such promptness and dispatch that a new corporation under similar name is doing business at the old stand wherever the landlord listened to reason and granted the "new" company a lease that it can afford to pay under present conditions.

Hat Chain Examples

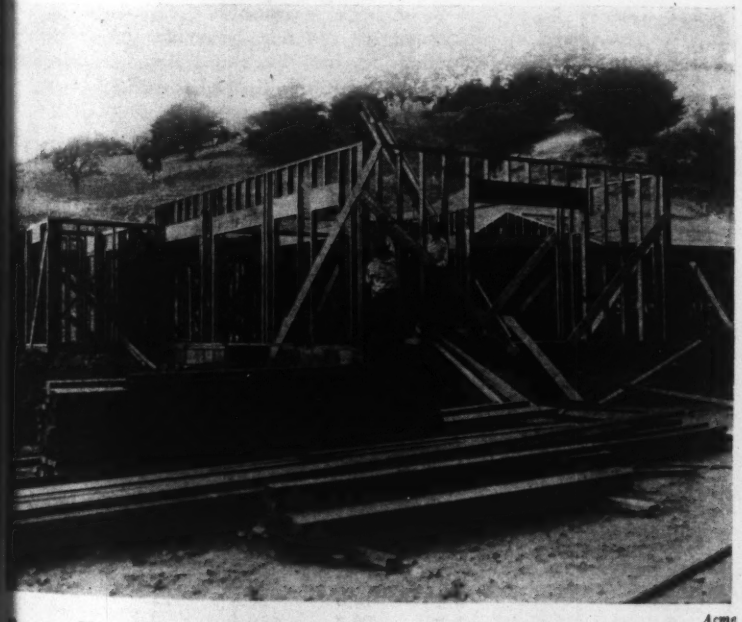
The Sarnoff-Irving and Truly Warner hat and shoe stores chains both within a few weeks went into receivers' hands, were reorganized, and to-day the previously controlling interests are operating somewhat abbreviated chains in locations where advantageous rents could be obtained.

Many important chains in varying fields, at present in the hands of receivers, are expected to revert to the hands of the previously controlling interests after necessary adjustments have been completed. Outstanding among these are United Cigar Stores Co. (900 retail cigar stores); Whelan Drug Co. Inc. (over 200 drug stores); F. & W. Grand (variety stores); Hartman Furniture & Carpet Co.

Some observers hold that the desperate need for a readjustment of rents is responsible for the development of a new technique in clearing the boards. They cite the example of Eastern Palliament Corp., which was organized late in August to take over the business of Wallach Brothers (clothing stores chain). It filed a petition in bankruptcy a few days later, and thus cleared the deck for a new corporation, Wallach's, Inc., to take over the business in locations where more reasonable rentals could be secured. It was reported that in some stores of this chain, rent absorbed over 20% of the gross volume of sales.

Who's Solvent?

Landlords who are holding leases and previous owners with mortgages executed by some of the defaulting chains are trying to ascertain their status when the new chain organization happens to be the subsidiary of a still solvent parent company (*BW—Jun1'32*). They



Acme

BARTER HOUSE—*Building crafts workmen who owe money to Harvey Nelson, California furniture dealer, are making payments in kind by building him a home. He pays union wages; they get half in cash; the balance is credited to their accounts. Here is the house; it will cost $20,000*

hold that as long as the parent company is financially able to meet its obligation it should be held responsible. In some instances, landlords of defaulting chain organizations have combined forces in order to obtain a ruling.

Some landlords cite the policy of W. T. Grant Co., with a chain of 429 5, 10, 25¢ to $1 stores, which has not requested a single adjustment of rent and yet shows an outstanding record of performance in both sales volume and profits.

27 Drug Chains Combine To Produce Own Brands

AFFILIATED DRUG STORES, combine of 27 chains controlling 580 retail outlets from coast to coast, has wearied of paying competitors an over-large percentage of profits, is going to put out its own brands. Worthall, Ltd., will be agency. All stock will be owned by members of Affiliated Stores. The company will not engage in manufacture but will place orders with existing plants for products to bear the Worthall names. Present plans envisage a modest beginning with development at a speed and in directions which events justify. No general line will be put out to compete with nationally known brands, since the manufacturers of these are cooperating, expect to receive orders for Affiliated products.

A famous hair tonic is owned by a rival national chain. Naturally Affiliated stores dislike to push this brand; a competing tonic will be produced. A line of toothbrushes also will be put out. Affiliated executives believe that smart salesmanship applied to pushing such lines will counteract the present dolorous trend in which intense price-cutting has depressed many items to a below-cost basis.

274 Chains Sell $500 Millions Yearly of Private Brand Goods

THE battle of the brands—private vs. nationally advertised—continues to rage in the chain stores.

Advance of private brands is gauged in a Federal Trade Commission report to the Senate. It shows that since 1925, dollar volume of private brands has increased enormously, that proportions of private brands to total sales also increased. In 1930, reports of 274 chains showed private brand sales of $519 millions—an important 28% of total sales. Adding estimated sales for the huge Great Atlantic & Pacific and Kroger Grocery & Baking, the total became $770 millions; the addition, however, lowers the percentage of private brands to 24.3%.

Trends indicated justify intensive study by executives of national brand concerns. Private brand business points definitely upward in grocery and meat chains (A. & P. and Kroger excluded), drugs, men's furnishings, men's and women's shoes; also upward in straight grocery and department store chains. As definitely downard is private brand trend in dollar-limit variety chains, in hats, in the 1 musical instrument chain reporting; apparently downward in the trend for tobacco chains.

Coffee is the most popular private brand in groceries. By 1928, A. & P. was selling 89% of its coffee under its own brands, Kroger 92%. The sequence of other commodities was flour, tea, mayonnaise, canned milk, butter. The Southern California division of Safeway Stores marketed all butter under its private name. Another 100-per-center was First National's bread and cake. All but 20% of Grand Union's canned vegetables carried the chain's own label.

Over one-fourth of the 1,247 chains reporting last year owned private brands. Kroger has gone in most heavily, having 92; A. & P. is next with 69. In 5 other large grocery systems over 40 commodities were displayed under private labels. (For drug chains the most heavily branded items are cough syrups, corn remedies, tooth paste.)

On the important question of mark-up, 304 chains operating 34,016 stores reported their policies. Percentage of mark-up for private and national brand goods was disclosed to be the same in almost two-thirds of the chains, operating 19,418 units. Private brand mark-up was higher than competing items in 31% of the chains. Only 6% sold private brands for a smaller mark-up than competing commodities—but these were big fellows operating 7,441 stores. The importance of the cost factor in private brand policies is emphasized by the fact that, despite the liberal mark-up, private brands usually were sold cheaper.

The reason most frequently given for higher pricing of private brands was that competition established no price for the commodity; for lower pricing, the predominating justification was lower cost.

A large proportion of retail chains, especially the larger ones, are strong advocates of private brands.

Grocers Make Best Profit in Perishables

THANKS to the digested findings of the Department of Commerce's famous Louisville Grocery Survey, grocers can now measure the turnover and net profit of different commodity groups, balance their stock and selling activities on a more intelligent basis. The figures show that next to milk, meats, fresh vegetables and fruits have the fastest turnover; that fresh fruits have the highest net profit. (Here may be a reason why

Relation of Turnover to Expense and Profit

Commodity Group	Per Cent of Total Sales	Turnover (Times)	Gross Margin (% of Commodity Group Sales)	Operating Expense (% of Commodity Group Sales)	Net Profit (% of Commodity Group Sales)
Fresh Fruits	4.5	62.9	35.3	16.2	19.1
Fresh Vegetables	6.4	78.1	35.5	17.5	18.3
Fresh Meats	17.8	97.2	29.7	15.6	14.1
Smoked Meats	10.3	77.4	30.8	20.9	9.9
Fish and Poultry	2.4	44.3	23.7	18.6	5.1
Dairy Products	15.7	114.0	18.2	11.3	6.9
Canned Goods	6.2	4.9	26.9	26.1	0.8
Cereals	0.6	10.0	24.5	23.5	1.0
Coffee	2.8	20.2	19.4	9.6	9.8
Flour	1.9	17.5	17.0	9.3	7.7
Sugar	1.9	34.7	22.4	12.9	9.5
Tobacco	2.2	17.2	23.7	18.4	5.3

U. S. Department of Commerce

Acme

POTATOES FOR EDUCATION—*Cash is scarce in the farm country; Illinois Wesleyan, at Bloomington, has gone into the produce business, accepts vegetables in payment of tuition. John Dickenson, left, pays President McPherson 40 bags of potatoes, delivered at the college door*

the canny chains are going more and more into perishables.) Surprising is the disclosure that such staples as flour, coffee, sugar, and tobacco are producers of healthy net profits, that canned goods and cereals are tailenders in profit percentages.

The relation of turnover to expense and profit is graphically illustrated by the comparisons in the accompanying table. Gross margin, operating expense and net profit are expressed in percentages of sales for the specific commodity group, not in totals for the store.

A definite result of the survey is evident in the organization of the St. Louis Grocery Trade Council. It includes all branches of the local food industry and will apply the lessons which the survey teaches. There will be a city-wide campaign for better bookkeeping, stricter credit, sounder business practices generally. The Bureau of Foreign and Domestic Commerce will cooperate. Grocery trades in other cities have inaugurated similar campaigns.

Rice Gains Favor As Breakfast Cereal

AMERICANS increasingly breakfast on prepared cereals. Fastest growing in favor, though still far behind wheat, oats, and corn in volume, is rice.

Census figures, just released, show poundage of rice and other miscellaneous mixtures increased 61% in 1931 as compared to 1929. Pounds of oat breakfast foods increased 22%; corn, 1%. Poundage of wheat cereals is not given, but obviously there was a considerable increase since the dollar volume was off only 21%, and the price decline during that interval was easily twice that percentage.

Total value of breakfast foods sold in 1931 was $103 millions as against $121 millions in 1929.

Coffee substitutes apparently are losing popularity. Tonnage was off 33% in the period, value 50%.

College Comes to Aid Of Small Retailers

SMALL retailers in Wisconsin are heartened by news that an ally is on his way to help them battle against the deadly precision of chain store technique and against the even more deadly effects of their own merchandising ignorance. The Extension Division of the University of Wisconsin announces a personal counseling service available to small stores anywhere in the state. Richard E. Ellingwood, who has studied and worked in stores for 15 years, will diagnose the ailing. He is not just another mailer of booklets and dictator of prescriptions. He will make a personal survey of the store, analyzing lay-out, advertising, credit, salesmanship, profit and loss records. The promised result is a detailed explanation of the particular store's shortcomings and exactly what can be done about them.

Oil Production Control Falters, Signalling Gasoline Price Drop

Standard Oil's drastic retail reductions are seen as warning to producers as well as thrust at price-cutters

OF ALL the great industries, oil alone has kept its head and its feet during the long, swift slide from the top. Now, at the end of the decline, when some of the other industries are about to get up on their hands and knees, oil shows signs of slipping, struggles to maintain its balance.

Four factors have interacted to unbalance the industry: falling consumption, weakening control, increasing taxation, and bootlegging to evade control and taxation.

It is now apparent that consumption, by which is meant gasoline consumption, during the summer peak fell below even the most pessimistic advance estimates. In July, when presumably every car that will run is out clogging the country roads, demand fell off 20% to 25%. August, according to early estimates by Statistician Van Covern of the American Petroleum Institute, shows a decline of 19% from August of last year. The passing of Labor Day marks the end of summer holidays, the beginning of automotive hibernation.

Coincident with this seasonal decline, crude production control began to leak. At the very moment when the industry was tightening up connections in order to hold down excess production and hold up prices in the dull season to come, the wild East Texas field, which has never taken very kindly to prorationing, was granted an increase in its allowable production per well. For no good reason, the Texas Railroad Commission, which is the conservation body in that state, jumped the allowable from 43 to

50 barrels a day. Humble Oil (Standard of New Jersey subsidiary) attempted to stop the increased flow by prorationing its purchases, but was enjoined by the state. Later, the commission reduced the allowable to 46 barrels a day, but at 3 barrels a day, the increase amounts to some 25,000 barrels above the old allowable, itself considered too high to balance the decline in consumption and the seasonal slump.

Mutiny in Oklahoma

Alfalfa Bill Murray, watching all this from over the fence in Oklahoma, swore by his moustache that he would "meet flood with flood" by lifting his machine-gun control if Texas backslid any further. Looking to his own state, he found dissension, evasion, and mutiny.

With characteristic directness, he again called out the militia, personally drafted an order placing every road, lease, well, tank farm, and other property in the Oklahoma City field except actual residences under strict military control, announced loudly that any attempt to interfere, by workers or lawyers, would be met with armed troops.

Meanwhile, the state Tax Commission pushed its plan to carry out a complete audit of oil production, trace every barrel of oil leaving the state to its source in a supreme effort to enforce prorationing.

In California, there is growing sentiment in favor of a readjustment of prorationing. The present total, which brought the crude price increase, is 475,800 barrels a day. A total of 448,200 barrels has been tentatively set as daily allowable for the balance of the year.

Linked with the uncertainty in the production situation is the sudden weakening of service station prices. First noticeable in the Middle West, where secret discounts became open discounts and finally frank price cuts, the tendency has moved East. In the Middle West, Standard of Indiana took the lead in first recognizing the discounts, then superseding them with a straight price cut. In the East, Standard of New Jersey moved suddenly, last week chopped pump prices 2.2¢ and 3.2¢.

Deepest in Years

The cut is the most drastic in years. Occasional local cuts have equalled it, but this extends throughout the whole territory, which covers New Jersey, West Virginia, Virginia, North and South Carolina, and the District of Columbia.

Officially, it was "made necessary by conditions of oversupply of gasoline and widespread price-cutting." In the trade, it is regarded as unusually severe, and purposely so, a warning to producers to ease up, or else—; a sample of what price-chiselers might expect, unless—. Whatever the cause, there is no doubt that reductions at this time would serve this double purpose.

Repercussions of the cut have been felt in other areas, although of diminished force. Standard of Pennsylvania reduced its pump prices 1¢ and 1½¢; Atlantic followed. In the New York metropolitan district, where seasonal adjustment had already been made, there has been no immediate effect.

Bootleggers' Chance

The astute Amos L. Beaty, head of the American Petroleum Institute, sees no cause for alarm, but takes the occasion to plead for production held to refinery demand.

Incomplete enforcement of proration at one end and increased taxation at the other have combined to create new and better opportunities for bootlegging. A good deal of oil beyond the allowable has been drawn off at the wells, particularly in those fields where cooperation (the main force behind all prorationing) is not very good.

This oil naturally finds its way to market, undermining the price structure in the field. State tax increases and addition of the federal tax on gasoline have exaggerated this condition.

The industry, full knowing what even a small amount of tax-dodging can do to retail prices, has waged long and vigorous warfare against it. Big companies have consistently cooperated with the authorities in an effort to stop it. Some states have adopted stern tactics; in Missouri, for instance, running a tank truck over the roads after dark is prima facie evidence of evasion. It is hoped that advent of the federal tax will bring federal enforcement.

The problem is serious, not because of the quantities involved, but because of the opportunities for price-cutting which are furnished. The Oct. 12 meeting of the directors of the Petroleum Institute will discuss solutions.

Wide Tax Protest

Back of tax evasion, and weighing heavily on the whole industry, is the larger problem of special taxation borne by the industry. On this front, at least, the whole industry is united in protest. Oil spokesmen are using every opportunity to demand reduction of taxes. Oil companies are telling their stockholders and patrons. Standard of Indiana, in its illustrated leaflet to stockholders, sounds the slogan: "Demand lower taxes or you will pay higher."

Survey Shows Small Business Needs Help in Getting Credit

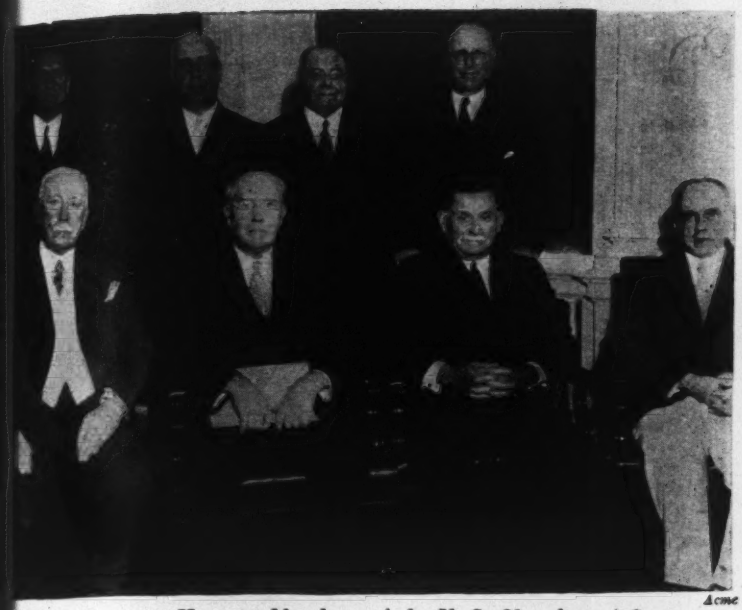
Recovery committees may have to find little fellow some source of funds outside regular banking system

THE banking and industrial committees set up in the various Federal Reserve districts, and since mobilized into a national organization headed by Henry M. Robinson of Los Angeles are, among other things, trying to find out whether there is anything wrong with the credit situation in this country as it affects business. In several of the districts, the committees have undertaken investigations by questionnaire to ascertain the credit needs of business concerns in their districts and to discover how far these needs are or are not being met by the banks. Findings are now under discussion.

The results are understood to be mainly negative. In the depths of the third year of depression, most business men seem to be uninterested in securing more credit and indifferent to the banks, whether because of persistent discouragement or for other reasons.

The most comprehensive investigation of this kind undertaken several months ago by the National Industrial Conference Board, at the suggestion of the banking and industrial committee of the New York Federal Reserve district headed by Owen D. Young, appears, from the preliminary announcements, to confirm this generalization, but throws some significant sidelights on the banking situation as it affects business today and on the probable future relations between business and the banks.

This survey was made by sending out a general inquiry to about 9,000 manufacturing concerns throughout the country, of all sizes and widely distributed as to industry. The questionnaire did not



Acme

APPROVE SHORTER HOURS—*Members of the U. S. Chamber of Commerce, meeting in Washington, recommended general adoption of the 40-hour week. Left to right, seated, are James A. Farrell, Silas Strawn, Edward N. Hurley, President Harriman. Standing, are Matthew S. Sloan, P. W. Litchfield, Worral Wilson, John W. O'Leary*

sk for many details but was directed primarily to ascertaining whether the concern in question did or did not have difficulty in securing credit accommodations from its bank.

About 3,400 replies were received and the returns tabulated indicate that the majority of concerns requiring bank accommodations are not having bank trouble. Over a third (37%) of the concerns reporting said they had no need for bank credit at all. This high degree of independence of banking service is probably a hangover from the unfortunate experiences of the 1921 depression which made many business concerns determined to keep out of the banks thereafter. More important, it probably also reflects the increased financial strength of corporations due to the accumulation of large corporate surpluses and the ease of financing through security issues during the boom period from 1922 to 1929.

19% Have Difficulty

Of the concerns which showed some dependence on the banks, 81% said they had no trouble while 19% reported either refusal of credit or some sort of difficulty with banks in recent months. The Conference Board regards this as a fairly favorable record, but it would seem that a situation in which nearly 20% of the concerns dealing with the banks are unable to secure accommodation indicates that there must be something quite wrong either with the banks or with the concerns.

One factor in the credit difficulties of the concerns reporting bank trouble seems to be that they are small. The larger concerns either did not need the banks at all or had no trouble getting what money they wanted. But slightly over three-quarters of those reporting credit difficulties were manufacturing concerns with fewer than 250 employees, and of the firms employing fewer than 100 employees nearly a quarter had bank trouble. The proportion reporting credit difficulties declined as the size of the establishment increased so that of firms employing over 1,000 workers, less than 3% had any bank trouble.

Small Man Out of Luck

What use will be made of the information secured in this investigation by the Young committee remains to be seen. It is probable that the credit difficulties of the smaller industrial concerns brought out in this study will lead to serious consideration of the possibility of meeting the credit needs of such businesses in some more satisfactory and dependable way than is now apparently possible through the regular commercial banking system.

This is especially true of the needs of such concerns for long-term credit for purposes of improving plant and equipment which the industrial rehabilitation committee headed by A. W. Robertson is trying to stimulate. It is clear from these investigations that as regards any form of bank assistance in the way of long-term credit for such purposes the small manufacturer is out of luck and it is among such concerns that the demand is apparently largest and the potential volume of expenditure greatest.

R.F.C., to Make Jobs Quickly, Asks for More Small Projects

It's a long time from loan application to men at work on the vast undertakings

IN its efforts to speed business recovery, the Administration and its various agencies are being hampered by increasing pressure of immediate relief demands. It is becoming evident that few, if any, of the various activities intended to create employment can have a material effect on the situation before next spring, because projects cannot be gotten under way on a sufficiently large scale.

The R.F.C. last week sent out an appeal for applications for a larger number of small projects. The big ones are coming forward too slowly. Preparations for them are difficult, and the supplementary private financing necessary is slow. Mr. Harvey Couch, R.F.C. director specially interested in self-liquidating projects, emphasized the importance of smaller jobs and the possibility of securing more rapid action on them.

To assist in this, the American Engineering Council offered the R.F.C. a plan for enlisting the services of engineers throughout the country. On each of the 32 regional advisory committees of the R.F.C., it is proposed to appoint an outstanding consulting engineer who without pay will help to speed the presentation of applications for construction

Keystone

THE MONITORY FINGER—*Chairman Atlee Pomerene of the R.F.C. tells Mayor Anton Cermak of Chicago (left) and State Senator Courtney of Chicago that Illinois already has had a $14-million loan. Edward L. Ryerson, chairman Illinois Emergency Committee (right), listens intently*

projects to the corporation. This will be especially helpful to promoters of smaller projects who cannot afford the heavy costs of engineering advice.

While no new loans for important self-liquidating projects have been announced by the R.F.C., plans for using its resources for the first large scale slum clearance operation were advanced last week with announcement by the New York State Board of Housing of details of 5 New York City housing projects to cost about $72 millions. Plans for these have been on file with the Housing Board for some time awaiting financial assistance. The necessary private backing to supplement R.F.C. funds is understood to be available. New York is the only state in which R.F.C. aid of this kind is possible at present because of provisions of the Emergency Relief Reconstruction Act which confine such assistance to limited dividend corporations under regulation or supervision of a state housing board or similar body. These New York projects are designed to provide more than 45,000 rooms of the most modern type at a maximum cost of $12.50 a room, and in two cases involve large-scale reconstruction of slum districts.

Banks Less Importunate

Pressure for bank and insurance loans from the R.F.C. has been considerably less during the past month, but those for railroad relief have not materially diminished. The seasonal improvement in carloadings has not given a great deal of help to the roads, and though operating expenses have been pared down so severely that slight increases in gross revenue will make a much larger improvement in net than heretofore, there is considerable worry about receiverships. The I.C.C. policy becomes steadily more stringent and the disposition to allow reorganization in some cases is evident.

Unemployment relief demands have risen rather rapidly and last week the R.F.C. approved a loan aggregating more than $9 millions to 5 more states, bringing the total so far advanced to $33 millions covering 22 states. The R.F.C. is still dealing out unemployment relief money as carefully as possible but the requirements are evidently growing. Largest loans so far have been made to Illinois, with $14 millions, Ohio, $4½ millions, Wisconsin, $3 millions, Pennsylvania, $2½ millions, Michigan, $2 millions, and Louisiana, $1 million.

Farm Help Rushed

The speed with which the R.F.C. has organized 16 agricultural credit corporations in Western states also puts this activity in the urgent relief class. Regulations for these corporations announced last week show that the R.F.C. is trying to protect the government as closely as possible in handing out funds to livestock producers and farmers through these agencies. It has fixed the interest rate on loans through these corporations at 7%. This is higher than the R.F.C. charges banks, railroads, insurance companies, or states for relief purposes, but it is a net figure including all servicing and inspection costs, which are high in handling livestock credit.

It will apparently meet the objections or anxieties of commercial banking interests who have been afraid of government competition in this field, but whether it will satisfy farmers is still to be seen. The corporations so far created are for financing livestock feeders who are suffering from a seasonal credit shortage. How far the system of credit corporations will be extended later for purposes of general crop loans remains to be seen.

These agencies will be chartered by the federal government through the R.F.C. and will be essentially federal banking institutions. This was thought necessary because of the diversity of state regulations covering such concerns. Under a federal charter, it is probable that the question of the permanency of these banks will come up later.

New Collection Rules

Another of the Administration's farm relief activities took a curious turn when the Department of Agriculture announced last week that seed and crop loans made by the government to farmers under the Reconstruction Corporation Act and prior relief legislation, and secured by a first lien on the crop, must be paid to the Secretary of Agriculture by purchasers of the crop before any payments are made by them to farmers. This severe regulation, so far as it is constitutionally enforceable at all, amounts practically to attachment of farm crops by the government, and will tend to make the Department in the role of sheriff more popular than ever among the farmers. It was understood that these loans had so far been fairly promptly paid off, but this measure makes it look as though the government is preparing for trouble with its debtors.

Among other administration activities most progress is being made in the organization of the movement for industrial modernization through the national committee headed by A. W. Robertson of Westinghouse. Chairmen of eleven Reserve district committees have been chosen and in many cases subcommittees covering important industrial areas in each Reserve district have been selected.

The Personnel

Major General James G. Harbord, chairman of the board of the Radio Corporation of America, will head the work in New York; in Boston Harry C. Knight, president of the New England Council; in Philadelphia John E. Zimmerman, president of the U.G.I.; in Cleveland Randolph Eide, president of the Ohio Bell Telephone Co.; in Richmond, W. H. Meese, vice-president of the Western Electric Co.; in Atlanta, Theodore Swann, president of the

"GOING UP?"

BOARD a modern* elevator and give the operator your destination. She presses a button, shifts a lever, and up into the air you go. On the indicator panel you watch the floors march by. Fifteen, sixteen, seventeen — then yours. Carefully and safely your landing is reached and you are set again upon your way. Within the span of a few short seconds, you have been transported hundreds of feet off the face of the earth.

By what revolutionary improvements in elevator construction has this fine vertical conveyance been perfected? By the Otis self-leveling feature which finds the exact level of your floor. By the Otis automatic door openers and closers which handle the doors quickly and quietly. By the Otis signal-control system which never keeps you waiting and never lets the car pass your floor. By these and many other ingenious devices conceived and put into practical use by the engineers of Otis Elevator Company.

Otis engineers have not thought their work complete with the perfecting of fine new elevators. They have also adapted their improvements and inventions to the older elevator models. Thus, under the Otis Modernization Plan, fine vertical transportation is today within the means of every building owner.

If the elevators in your building are not in tip-top condition and do not give the very best in service, speak to the building owner about it. Suggest that he get full details of the Otis Modernization Plan. The engineers at the local Otis office will be glad to accommodate him and without obligation.

**A modern elevator is not necessarily new. It can be an old one made modern through the Otis Modernization Plan.*

OTIS ELEVATOR COMPANY

Swann Corp.; in St. Louis, Albert B. Elias, president of the Southwestern Bell Telephone Co.; in Minneapolis, R. F. Pack, president of the Northern States Power Co.; in Kansas City, Frank Moss, president of the American Sash & Door Co.; in Dallas, R. L. Thornton, president of the Mercantile National Bank & Trust Co.; in San Francisco, William A. Ross, vice-president of the Columbia Steel Co. The Chicago district appointment has not yet been made.

Since organization of the Railway Equipment Financing Corporation, there have been no signs of pronounced activity on the part of railroads in purchasing new rolling stock or motive power, but with prospects of traffic improvement it is expected that interest will be revived.

Efforts to stimulate replenishment of depleted stocks of raw materials by important industrial consumers are understood to be going forward actively, although with little publicity. Announcement was made last week, however, that the American Radiator Company had purchased 50,000 tons of pig iron, a year's supply of copper, and large quantities of other materials. Westinghouse this week laid in 4 million lb. of copper.

Tax Cut Can't Be Made Prize to Keep Mills Open

LEWISTON, ME., agreed to cut taxes on the Bates, Hill, and Androscoggin mills in proportion to the amount of employment given townspeople. If the mills ran at 40% of capacity, the town would reduce taxes by $48,000; at 50%, by $72,000. If the mills would run at 60% capacity for the 6 months ending next February, the entire tax bill of $97,000 would be rebated (*BW—Sep 21'32*).

But 14 taxpayers brought suit, and the Superior Court holds that the town council exceeded its authority. Granting that the council acted with what it considered to be the best interests of the city at heart, the court holds that the only remedy for excessive taxes is through the assessors, thence to the courts.

Even Making All Allowance, New Tax Yield Disappoints

Later months will show improvement, but not enough to solve budget problem

THE new nuisance or special excise taxes included in the last Revenue Act are not yet yielding as much as the Treasury forecast. The figures for the first full month's collections under the new tax law indicate that unless business improves sufficiently to make up for the deficiency in yield of these taxes, Congress will have to think up some new ones in December.

Total internal revenue receipts in August were about $80 millions, an increase of $11½ millions over last August. This increase was due altogether to larger receipts from miscellaneous taxes, because income tax collections were lower.

Some Estimates Absurd

The new special excise taxes went into effect mainly at the end of June or early July so that July tax collections did not reflect this revenue. The total yield in August from these special taxes was only about 40% of the amount which the Treasury had estimated, after many revisions, as its most plausible expectation. In many cases the actual yield was a very small fraction of the estimated receipts. In only three cases —the tax on new stock and bond issues, on safe deposit boxes, and on boats— did the collections turn out greater than was anticipated.

The Treasury seems especially to have overestimated the consumption of materials for home-made drinks, for it expected to collect about $6,800,000 per month from the taxes on malt, wort, and grape concentrates and actually got only about $350,000 in August. Receipts from taxes on lubricating oils were $822,000 against an estimated yield of $2,750,000, and on gasoline about $9,000,000 against an expected $12,500,000.

The electrical energy tax produced less than a third as much as was expected and the same was true of the tax on passenger cars, while for radios and phonographs the tax yield was about a tenth as great as the Treasury estimated. In spite of the improvement in stock trading from the middle of July on, the tax on stock transfers and conveyances yielded only about one quarter of the expectation, as was also the case in the tax on futures trading in commodities. The bank check tax turned out only a little more than half the estimated amount.

There are many explanations other than that of statistical optimism for this failure of the Treasury forecast. Since the collections represent business activity during July, which was in most respects the low point of business, it is hoped that subsequent business improvement will be reflected rather promptly in larger collections.

Dealers Forestalled Taxes

Another factor that may have tended to depress the yield of these taxes abnormally was the large amount of business done in anticipation of the taxes during June, thereby proportionately reducing the normal level during July on which taxes would have been collected in August. It is well known that in the case of many of the items on which the taxes were levied, dealers stocked up heavily on tax free goods in advance.

Finally it must be remembered that some of the items have a seasonal character which would make July trade in them very much below the monthly average for the year, so that the comparison of the actual yield of taxes on them in August with an estimated monthly average yield based on the anticipated annual collections would make a very unfavorable showing.

Deficit Seems Unavoidable

It is probable that the yield of all of these taxes will show considerable increase as business activity improves, but it does not seem likely that they will provide as much revenue as the Treasury expected and as it must have to avoid a substantial deficit during the balance of the year.

At the present rate, the nuisance taxes will fall short of anticipations by about $350 millions. The current deficit so far this fiscal year is running close to $450 millions, and the yield of the new income taxes, which will not be known until March 15, remains problematic.

If the enthusiasm for budget balancing remains as strong in the next Congress as it was in the final stages of the last session, it is certain that the December session will see the legislators very busy with the problem of raising new revenue even though they are less reluctant about cutting expenditures on a large scale.

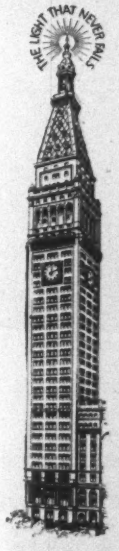
It is a great comfort to know that one spot on earth will surely be yours—Your Home

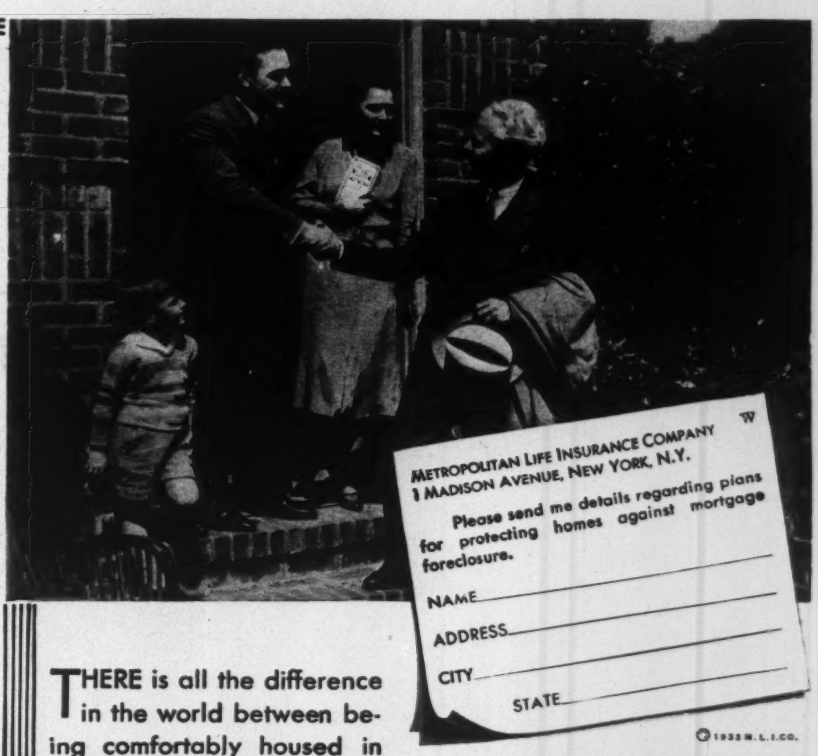
Metropolitan Life's contracts afford a means to

—*create estates and incomes for families*
—*pay off mortgages*
—*educate children*
—*provide income in the event of retirement*
—*establish business credits*
—*stabilize business organizations by indemnifying them against the loss of key-men*
—*provide group protection for employees covering accident, sickness, old age and death*
—*provide income on account of disability resulting from personal accident or sickness*

Metropolitan policies on individual lives, in various departments, range from $1,000 up to $500,000 or more, and from $1,000 down to $100 or less—premiums payable at convenient periods

The Metropolitan is a mutual organization. Its assets are held for the benefit of its policyholders, and any divisible surplus is returned to its policyholders in the form of dividends.





METROPOLITAN LIFE INSURANCE COMPANY W
1 MADISON AVENUE, NEW YORK, N.Y.

Please send me details regarding plans for protecting homes against mortgage foreclosure.

NAME_____

ADDRESS_____

CITY_____

STATE_____

©1932 M. L. I. CO.

THERE is all the difference in the world between being comfortably housed in somebody else's property and having a home of your own.

Your wife will have keen pleasure in expressing her personality in your own home. You will enjoy helping her to carry out the plans you both have made. And you will have the added satisfaction of knowing that all the improvements you make will add to the value of your own property.

Your children can be brought up in the neighborhood of your own choosing. It is a great advantage for children to gain their lasting, early impressions in a real home that you have helped to build.

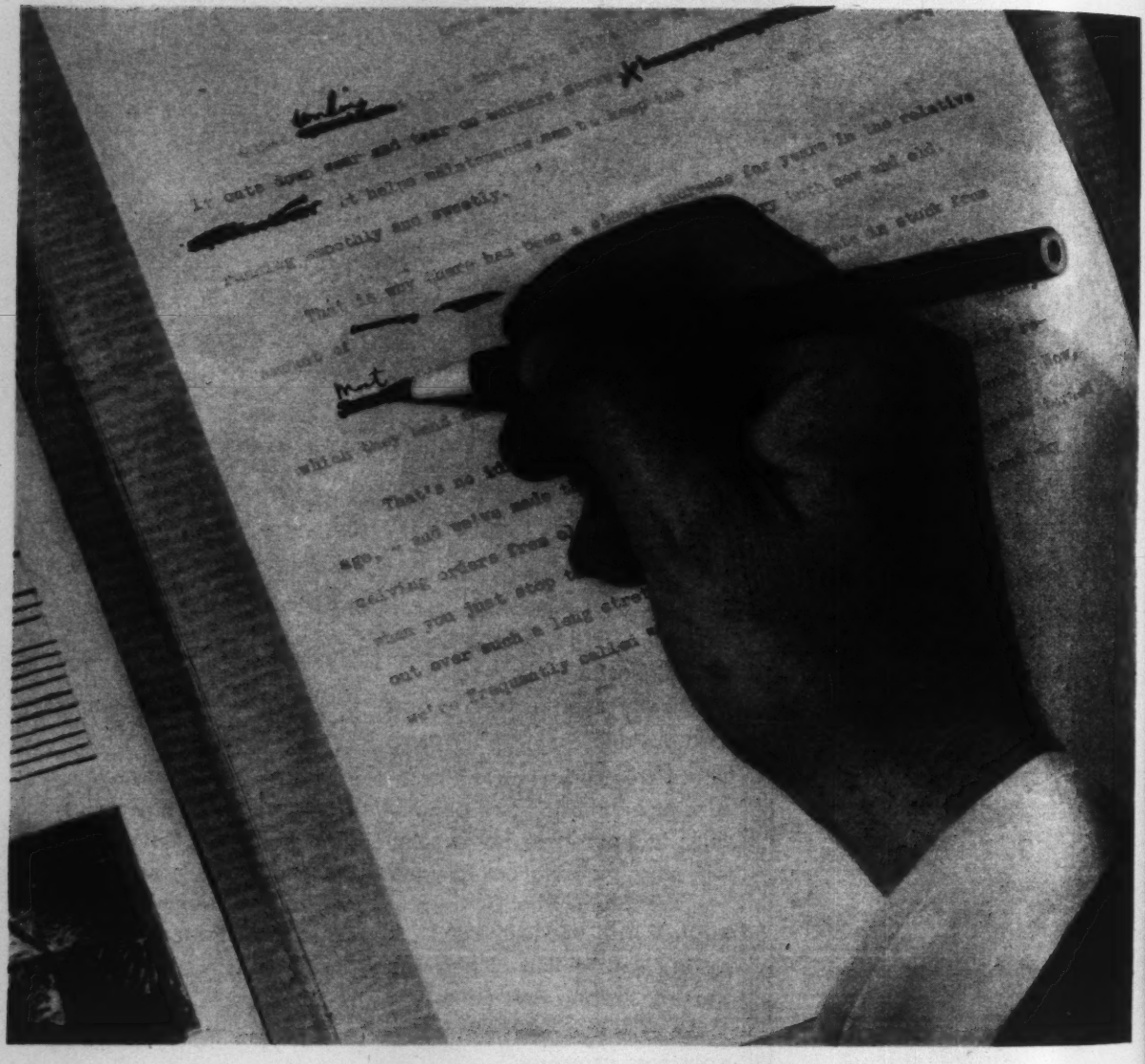
Perhaps you, like many another man desirous of having just the right kind of a home, found it convenient to pay part cash and to give a mortgage for the balance of the cost.

Ask a Metropolitan Field-Man to show you a sound plan by which your family will be protected against foreclosure of the mortgage if you do not live to pay it. You will have a new and happy sense of security when you know that the home you love cannot be taken away.

METROPOLITAN LIFE INSURANCE COMPANY

FREDERICK H. ECKER, PRESIDENT • • • ONE MADISON AVE., NEW YORK, N. Y.

Beware of "BLUE PENCIL"



The enemy of good advertising

"Blue Pencil" is to advertising what "Pink Toothbrush" is to humans. Its ultimate result is to take the teeth out of the campaign it attacks. It swoops down on the strongest sales message . . . leaves empty, ugly gaps that make advertising lisp instead of speaking forcibly . . . that rob it of its power to bite a healthy chunk out of the market. And yet "Blue Pencil" is so easy to avoid. For, far from being uncontrollable, the fate of your advertising rests in your hands.

Your interest in, and help on the advertising itself, is the key to a successful job. Before you reach for the "Blue Pencil" remember the reasons you had for employing your present advertising agency.

You knew that your advertising, to do a selling job, must be produced by men who know their business—men who have spent their lives learning how to make advertising pay. You knew that the logical place to find such talent is in the advertising agency office — just as the logical place to find competent legal advice is in a law office.

You probably considered several advertising agencies first. You inquired into their records of achievement. You inspected the campaigns they had produced for other companies. You met and talked with the men who were to work on your advertising—examined the background, experience and creative ability that was to go into your campaign.

You chose your present agency only because you had confidence in its ability to produce the kind of advertising that brings home results.

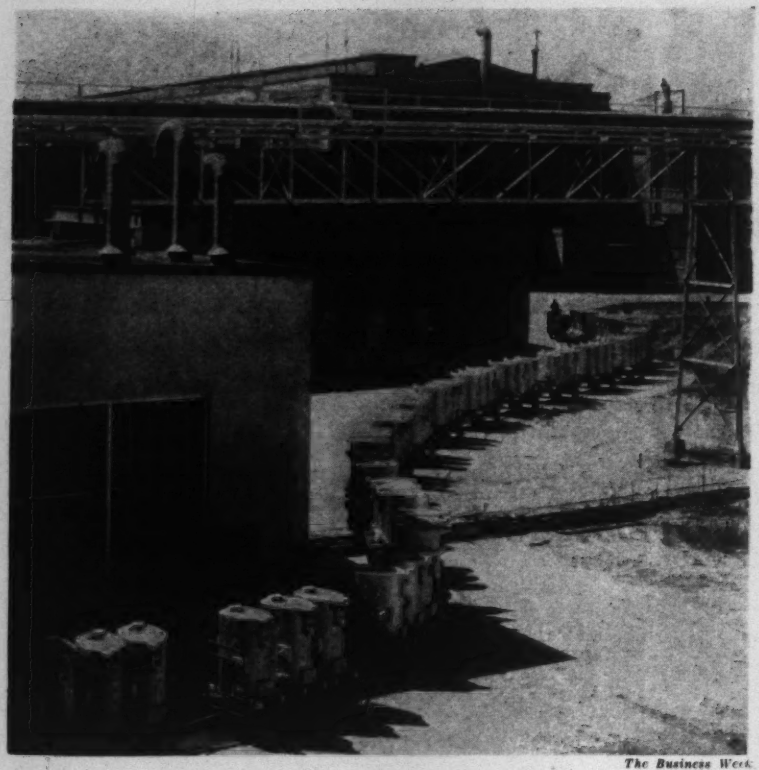
Remember—you're the best judge of the facts about your product; your agency and advertising manager are the best judges of how to present those facts. Spare the "Blue Pencil." You will find your advertising much more profitable. You will find your relations with your agency much more effective.

McGRAW-HILL PUBLISHING CO.
INCORPORATED
330 West 42nd Street · New York, N. Y.

▼

Because McGraw-Hill's continued success depends upon the success of its advertisers, we publish this, the twelfth of a series of advertisements on the value of advertising agency service in the creation of sales-producing advertising.

▲



The Business Week

HEAT PARADE—*General Electric oil furnaces, minus their jackets (which are not put on until installation) are trucked through the Pittsfield plant en route to the cellar. Production is being stepped up steadily*

Give-Away Magazines Try to Get Into the Advertising Picture

WOOLWORTH started something when it fostered publication and began the sale through its stores of consumer magazines. Other chains adopted the idea. A new trend now manifests itself—distribution of consumer magazines and papers carrying direct or indirect advertising given free to women customers by retailers or delivered to the doorstep. Two of these publications, designed for retail grocery customers, contain mostly entertainment, display the curves of Hollywood beauties, employ relief in the form of jokes, fiction, hints on new fashions, etc.

Of even greater potentiality is *Every-Month* due to appear in Connecticut this month. Its ultimate ambition is to reach 6,500,000 homes east of the Mississippi. The first issue will be 24 pages and cover, will be illustrated in colored rotogravure, will contain fiction and articles. Distribution to consumers will be free through 5,500 dealers in Connecticut, with an initial estimated circulation in the state of 331,000. Back of the venture is Allen J. de Castro, president of Dr. Richards Association, medicine manufacturers of South Norwalk, Conn. Advertising will be restricted to non-competing merchandise.

The Reuben H. Donnelly Corp., printers and distributors of telephone books, mailing lists, etc., will deliver *Every-Month*. Apparently Donnelly believes there is a vast new field for give-away publications. It is reported to be interested in plans for the daily *New York Retail Shopper*, suggested title for a metropolitan newcomer, which may appear in October. A 500,000 circulation is aimed at.

Seeman Bros., big New York grocery wholesaler, is distributing a magazine called *Entertainment* through retail customers. The store owner buys "at cost" which entitles him to a corner card on the cover bearing his name and address. Its field is the movie, stage and radio. Women shoppers are asked to list themselves for the fortnightly issues. (*Entertainment* also is being given away at a Broadway movie theater.)

Daniel Reeves, New York chain grocer, responds by distributing the *Family Circle*, a weekly which already has appeared farther south. Its editorial policy is a little broader, running more heavily to humor, but the give-away idea is the same. These free magazines are descendants of the simple handbill and advertising folder of other days. Publishers admit that the idea of distributing magazines through stores where women shop is sound. Most of the women's magazines have been circulated principally by subscription. There are, however, important exceptions among the biggest periodicals.

Amuse or Teach?

The innovation has possibilities and many of the chains are seriously considering it. Question is raised as to the final effectiveness of the present form. Will a woman value a give-away magazine devoted to movie stars which is inferior to publications she buys? Would a magazine suggesting new and better uses of the products sold be more effective than one which is mostly entertainment? Or can the 2 ideas be combined?

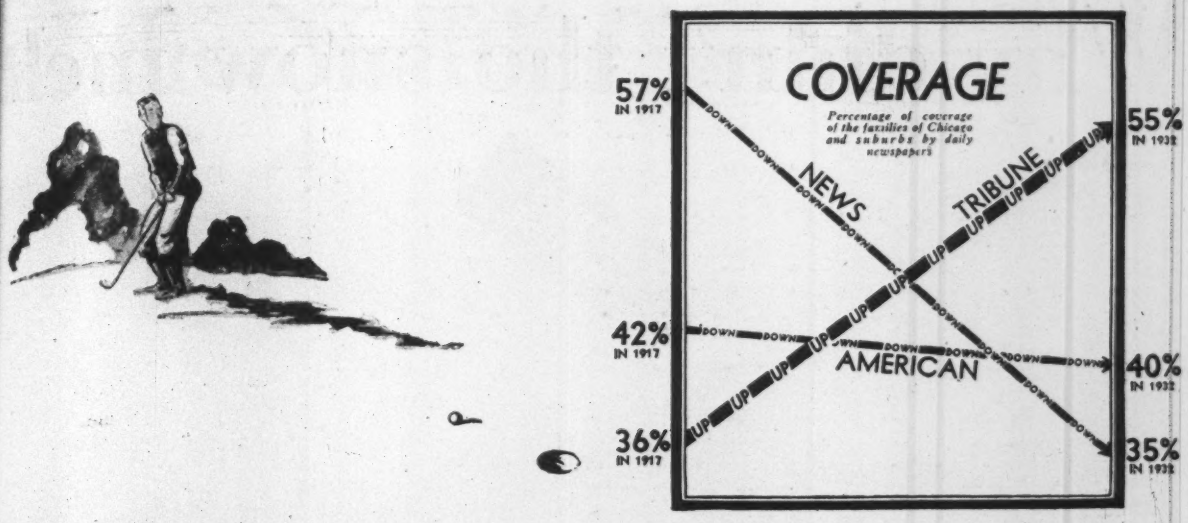
Give-away papers with shopping news are nothing new under the retail sun but they have lately shown a revived vigor. Reasons are the drive by big stores for cuts in newspaper advertising rates and the inability of the small store owner to use regular newspaper space. Most important is the new Chicago *Shopping News* which begins with a 12-page paper and a claimed distribution of 500,000 copies. Carriers deliver free to homes. The first issue featured the advertisements of 218 stores. The venture is backed by State St. retailers.

Political Hazards

As pressure by retailers for sales increases the free papers become of broader significance and collide with other interests. In Oakland, Calif., Mayor Morcom filed a $150,000 suit against the *Shopping News* alleging libel in published articles. The mayor sponsored an anti-litter bill in the city council which would have prevented distribution of the *News*. It was defeated and the editor gave His Honor a frank talking to.

Detroit, which has had the *Shopping News* for some time, now has the *Shopping Herald*. An initial distribution of 200,000 is claimed for the *Herald*.

Will these give-aways subside with the depression or do they portend a change in consumer advertising? No give-away ever yet has become very big.



NEVER UP—NEVER IN!

THE sweetest putter in the world will never sink your ball unless you put enough punch behind it. You can measure the distance to the cup and worry about the lie, but if you don't hit hard enough—well, it's just another stroke on your card.

Advertising is like that. You can figure out copy slants, debate layouts and headlines, *but if you don't reach enough people in a market* you hardly start a ripple in it.

Because they were asleep at the switch during the past 15 years while the population of Chicago and suburbs increased by 409,541 families—55%—some Chicago newspapers make a virtue out of failure.

No one stays small by choice! Every newspaper in Chicago has made strenuous efforts to get circulation. But to get it and to hold it—you've got to print the news the public wants.

The Tribune is the *only* Chicago newspaper that reaches every other family in the city and suburbs. It has 36 per cent more daily circulation in this community than any other newspaper. It reaches practically as many *readers* as any two other Chicago newspapers *combined.*

It is *the only publication that has the coverage,* that packs the power to build the sales volume available in this market—and needed by advertisers today.

You just can't get the *volume* you want with advertising media that reach only a fragment of purchasing power and that don't have enough reader interest to sell themselves in their own markets.

Never was the superior ability of the Tribune to produce sales volume for advertisers more evident than today. During the past 15 years, while every other Chicago newspaper published in 1917 was slipping, the Tribune steadily forged ahead, penetrating and saturating every level of family life.

The Tribune *increased* its daily coverage of the families of Chicago and suburbs from 36 per cent in 1917 to 55 per cent in 1932. The Daily News *dropped* from 57 per cent coverage to 35 per cent. The American *dropped* from 42 per cent coverage to 40 per cent. Other papers in existence in 1917 either lost ground, merged or failed.

The Tribune is the most popular newspaper in Chicago and suburbs. It is constantly increasing the preference of readers because it is constantly increasing its service to them. As the newspaper which has made the most out of market possibilities it does the best job for advertisers.

Ask a Tribune salesman for further facts and about the new discounts which enable advertisers to buy more space to get more sales in Chicago and suburbs.

Families and Daily Newspaper Circulations in Metropolitan Chicago

	1917		1932	
	Number	Coverage	Number	Coverage
Families	748,136	....	1,157,677	....
Tribune	270,810	36%	634,778	55%
American	313,800	42%	467,648	40%
News	428,746	57%	404,917	35%

Note: Circulations are averages for six months' periods, ended March 31

1917 was a memorable year! It marked America's entrance into the war and the beginning of sweeping changes in ideas, institutions, habits.

In 1917 the Tribune reached 36% of metropolitan Chicago's 748,136 families. It was third in volume of daily city and suburban circulation. Today it is first.

Fifteen years brought a 55% increase in families and a gain of 134% in Tribune circulation. Today the Tribune reaches 55% of the families in this great market—a gain of 53% in density of coverage—while every other Chicago daily newspaper published in 1917 slipped, merged, or went out of business.

Chicago Tribune

THE WORLD'S GREATEST NEWSPAPER

FIRST IN CIRCULATION—FIRST IN ADVERTISING—FIRST IN RESULTS

Chicago Tribune Offices: Chicago, Tribune Tower; New York, 220 E. 42nd St.; Atlanta, 1825 Rhodes-Haverty Bldg.; Boston, 718 Chamber of Commerce Bldg.; San Francisco, 820 Kohl Bldg.

Why didn't the snow melt

JONES' HOUSE
Thousands, like Mr. Roessler, Praise J-M Home Insulation
"You promised that J-M Home Insulation would cut fuel bills 33⅓%. Our 1930-31 oil bill was $238.00. From June until the present time (May 10) our winter's fuel bill has been $94.60, a saving of $143.40 or 60%.
"You promised a more comfortable house. Never before insulating have our upstairs rooms been comfortably warm. Today, the second floor is the warmest part of the house.
"You promised a cooler house in the summer. Last summer, when the thermometer ranged around 100°, we maintained an average of 80° inside."
Ralph Roessler, Marion, Indiana

Why will Jones pay *35% more for fuel* this winter than Smith . . . and be less comfortable? Why was the Smiths' home *8° to 15° cooler* than the Browns' this summer?

HERE are three homes — with identical weather conditions— yet the snow has remained unmelted on only one! Why?

Both Mr. Brown and Mr. Jones will pay 20% to 35% higher fuel bills this winter than Mr. Smith—and yet not enjoy as much warmth, comfort or freedom from draughts. Why?

This summer the Smiths' house was always 8° to 15° cooler than their neighbors'—their upstairs bedrooms always more comfortable. Why?

• • •

The answer is simple, and should be interesting and profitable to every home owner, *this* year particularly.

The walls of practically every house from cellar to attic are *hollow!* Only a thin barrier lies between bedrooms and attic—and between attic and roof.

In winter, heat passes out through this sieve-like construction at an astonishing rate. Comfort is lost . . . fuel wasted . . . houses are draughty and hard to heat. In summer, heat comes in . . . and stays there . . . often hotter indoors than out . . . walls and roof offer no resistance.

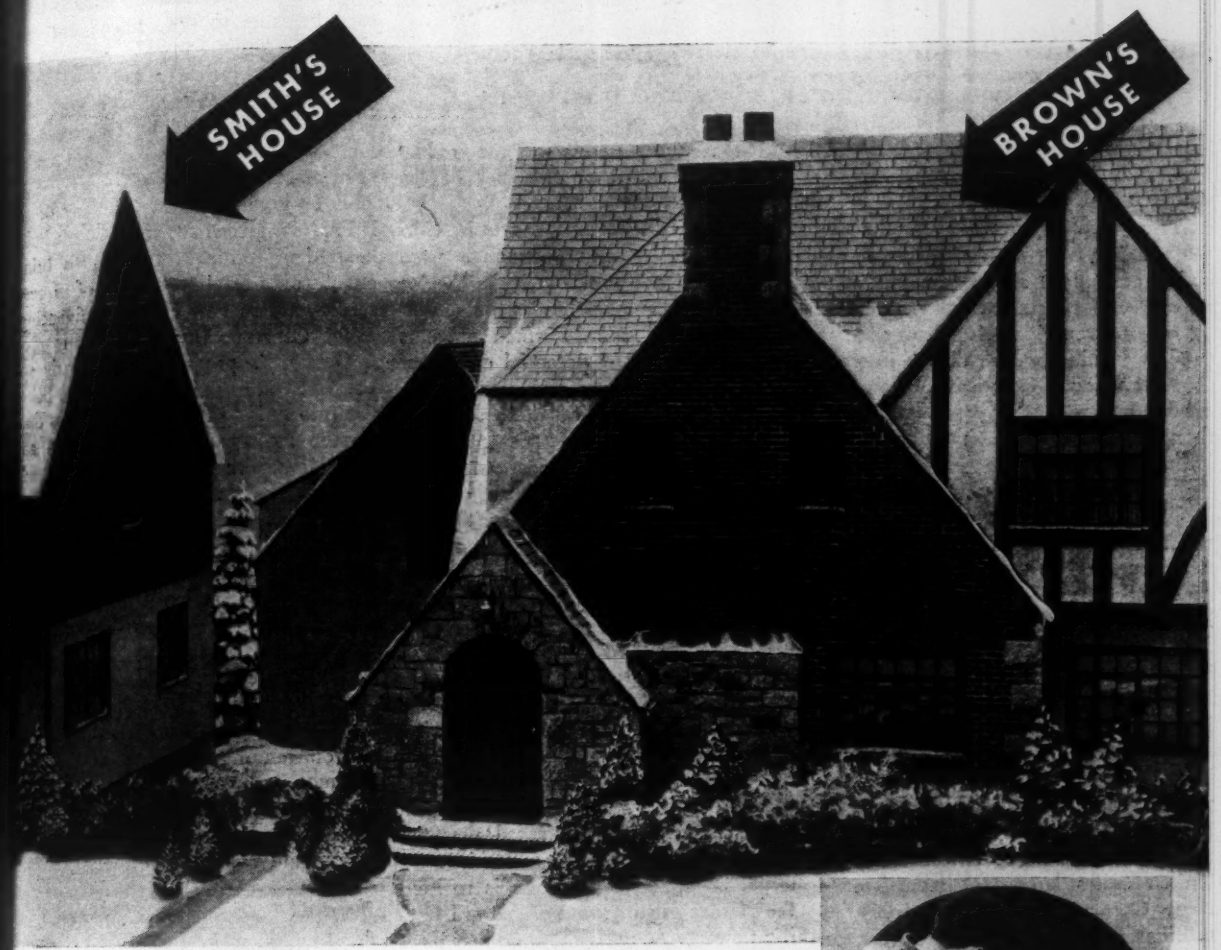
If snow melts quickly from your roof . . . take care! You're wasting heat . . . (and dollars, too) unnecessarily—for the remedy is simple and economical.

Johns-Manville, experienced in solving the heat and cold problems of industry for 70 years, has perfected an astounding new and ingenious method of permanently sealing your home against winter cold and summer heat.

Revolutionary New Discovery

A new, amazingly efficient insulation, "Rock Wool," spun from melted rock at terrific temperatures . . . fireproof, rot-proof, vermin-proof and

on the Smiths' house?



permanent . . . is quickly blown through a hose under attic floor or roof, into hollow side walls—no alterations—no disturbance to the family. *A four-inch-thick blanket equal in heat resistance to a stone wall 11 feet thick!*

New Standard of Home Comfort

Johns-Manville Home Insulation has made it possible for more than 20,000 home owners to enjoy new standards of year 'round home comfort—never before possible.

You can reduce your fuel expense this winter 20% to 35%... assure comfort throughout the house, even on bitterest days. And next summer you'll enjoy rooms 8° to 15° cooler.

You'll find the cost surprisingly economical—deferred payments, if you prefer. Consider this . . . you're paying for J-M Home Insulation whether you buy it or not . . . in heat loss, in year 'round discomfort. After you buy it, it starts paying you back . . . in fuel dollars saved, in comfort you can measure on the thermometer.

May we send you our free book, "Blow Comfort Into Your Home." You'll find it interesting, perhaps profitable. Address Johns-Manville, 294 Madison Ave., New York City.

Your Home Permanently Protected Against Heat—Cold

Four inches of thick, fireproof, permanent "ROCK WOOL," skillfully blown through a hose into place in attic or side walls, shuts out winter cold and summer heat. Year 'round comfort... fuel bills cut 20% to 35%. No upkeep—the first cost is the last. Time payments if you wish.

Johns-Manville

JM

Controls
HEAT, COLD, SOUND, MOTION
Protects against
FIRE AND WEATHER

German Farm Relief Strikes New Blow at U. S. Exports

Import quotas and forced cut in mortgage rates are expected to boost agricultural prices and purchases

EUROPEAN NEWS BUREAU—Europe is impressed with the steady progress which Germany is making toward recovery. Two new steps were taken by the von Papen government this week to supplement the 4 already announced as a part of a general recovery program. They are von Papen's answer to a promise made to agricultural interests some time ago. German farm prices are still 30% below pre-war levels though farm equipment is even now selling at 10% above pre-war levels.

Await Quota List

First—to become effective within a week—is a plan to put a whole series of farm imports on a strict quota basis. Not until the decree is actually published will it be definitely known how many products will be included. Best-informed authorities expect that it will include at least 15 categories. Most important from the point of view of the American exporter are lard and fruit. Almost 70% of Germany's imports of lard last year came from the United States. They were valued at $12 millions. Apple imports from the United States last year, because of a large German crop, ran to only $5 millions. In a peak year this major U. S. fruit export to the Reich has run as high as $14 millions. Bacon, livestock, butter and some vegetables are likely to be on the new quota list.

Inasmuch as the plan is strictly an emergency measure, quotas will be established for only 3 months at a time and the government will have the option of adding to, or cutting from, the list at the end of any quarter.

Can Pick Their Country

Present plans allow German importers to decide from what country they will buy the quotas which are allowed them. Also, quotas are expected to be limited to a fixed percentage of 1929-31 average imports, may be as low as 40% of this average.

The second aid to the farmer is another lowering of the interest rates on farm mortgages (Bruening made the first drastic cut in these rates a year ago). Von Papen's decree lowers the interest rate by 2% for the next 2 years, providing it be not cut to less than 4% and that the amount of the reductions be refunded on maturity of the mortgages.

The first of these new moves by Germany is significantly destructive from the international point of view. One of Germany's major troubles is the restriction of world markets which prevents the sale of the vast potential output of the country's highly rationalized factories. The same restrictions which bar German products are preventing the sale of Central Europe's grain. Now Germany is adding a new curb to international trade at a time when there is hope that the nations will get around an international conference table in the early spring and let down trade restrictions.

Warned of Retaliation

German industry, fully aware that more than 8 million Germans are still dependent on foreign trade for a living despite the depths to which export business has sunk, has warned Berlin that there may be retaliation. But von Papen is evidently convinced that the only way Germany can reestablish internal economic equilibrium is to help the farmer regain some of his old buying power. At the same time that he is doing this, he will be aiding the German trade balance, on which the country's ability to meet foreign interest charges and maintain its international credit largely depends.

Farm relief follows close on the heels of von Papen's vast recovery program (*BW—Sep14'32*) which was initiated with a subsidy scheme aimed at credit reflation for industry through a system of tax credits and bonuses on each man re-employed by industry. Following this there was a decreed increase in tariffs on items which the government considered that German industry could produce. Further recovery measures came last week.

After long negotiations with the Bank for International Settlements, permission was finally secured by the Reichsbank to waive the provision stipulating that the official discount rate could not be cut below 5% so long as the gold cover of German currency was below 40%. Cover now is barely over 26% but the B.I.S. agreed that the present was an emergency situation, that German funds could not very well "flee" under the present strict Reichsbank control. Germans immediately lowered the rate to 4%, hoped that this cheaper credit would be another stimulus to pinched industry.

Finally, a bank to take over the "frozen assets" held by German commercial banks has been formed under government control (*BW—Sep28'32*). This approximation in Germany of an R.F.C. is given 20 years and wholehearted government backing to bring about orderly liquidation of frozen credits, aid in new industrial financing.

Close to U. S. Program

Germany's program more nearly approximates the policies which are being put into action in the United States than do the reconstruction measures in any other European country. Britain made a significant start on the lowering of credit costs to levels where commodity prices, even now, are not completely out of line. The banking situation in Britain, however, still needs serious thought, complete government cooperation. France last week completed a $3½-billion conversion from 5%, 6%, and 7% rentes to 4½% bonds with public demand for cash on less than 3% of the outstanding total. It is true that the measure should have been handled a year ago. It is also true that only 6 days were given for the bondholder to demand cash. Nevertheless, it is a significant step in the right direction.

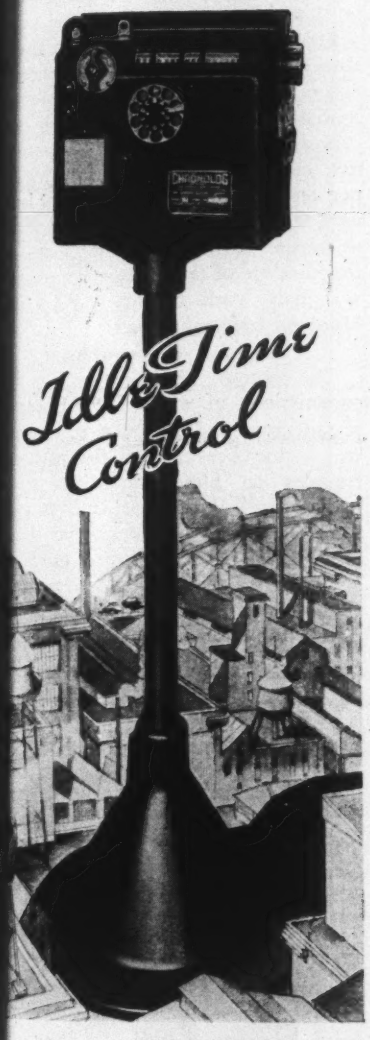
World business is already reacting to the stimulus of these new moves. There is a considerably better tone in London. Paris is less optimistic. France ran into the depression much later than the rest of the world, but is beginning to feel the full force of it this fall, is falling into line more readily when other countries make proposals. Paris, importantly, has drawn the line on any more strictly political loans to Central and Southeastern Europe.

Signs of Recovery

Germany, even in August, showed statistical improvement. Industrial production was up. The machinery industry is booking more business. Textiles are more active. The country's largest shoe and tire producers both report enough new business to re-employ from 500 to 1,000 men at once. The metalware industry is the most recent to report improving business. Since Lausanne, Germany is definitely past the period of "distress propaganda." A new confidence psychology has changed the German outlook.

THE CHRONOLOG

BRINGS TO ALL INDUSTRY IDLE TIME CONTROL



This Means to...

MANAGEMENT
SUPERINTENDENT
FOREMAN
OPERATOR

MORE PAY	EASIER SUPERVISION	LOWER COSTS	INCREASED PROFITS

IDLE TIME is the hidden enemy of production. It snatches from labor and management rewards which are properly theirs, because the *reasons* for Idle Time are concealed in the intricate daily routine of production operations. » » The CHRONOLOG brings to all industry Idle Time Control. It gives to the operator, better working conditions and more pay; to the foreman, continuous production and easier supervision; to the superintendent, a constant picture of plant activity and reduced costs; to management, the assurance of increased profits. » » Whether applied to a machine, a process or to special equipment, The CHRONOLOG registers the exact duration of every shutdown and indicates the cause for each interruption. Thus, by pointing out the duration and the cause for Idle Time, the means for dealing with it is clearly revealed. The CHRONOLOG will give *you* Idle Time Control.

» Ask your nearby Graybar office to show you how The CHRONOLOG will solve your Idle Time problem. «

GraybaR QUALITY

MANUFACTURED BY
THE NATIONAL ACME COMPANY «» CLEVELAND, OHIO

DISTRIBUTED BY
GRAYBAR ELECTRIC COMPANY
Address Chronolog Department
OFFICES IN ALL PRINCIPAL CITIES

THE NEW STANDARD OF STRIP STEEL QUALITY.

BUYERS of cold rolled strip steel realize a definite advantage in specifying Thomastrip. » » » All of the unusual knowledge, the skill and experience gained thru many years of serving cold rolled strip steel users exclusively is concentrated on the manufacture of Thomastrip. » » » This single endeavor has established the high standard of quality in Thomastrip—strict uniformity of temper, width, gauge and camber —high ductility—fine finishes. » » » Test Thomastrip in your production. Your requirements will be better served with specialized production Thomastrip.

•

SEND FOR TEST SAMPLES—Specify width, gauge and finish desired.

The THOMAS STEEL CO.
WARREN OHIO

HEADQUARTERS FOR SPECIALIZED PRODUCTION COLD ROLLED STRIP STEEL

Canada Has Had Enough Of Railroad Competition

COORDINATION, not consolidation, will be Canada's antidote for the bitter dose of competition that has wrecked the health of its 2 great railroads. But how close to consolidation the transportation doctors of the Duff Commission came in the long-awaited prescription that they wrote last week is seen in the kind of cooperation that they ordered.

Drastic measures to eliminate wasteful competition are to be worked out by joint meetings of the 3 trustees of the Dominion-owned Canadian National (replacing what has hitherto been an unwieldy directorate of 17) and 3 delegated directors of the privately owned Canadian Pacific. If any measure proposed seems too drastic for either side, it will be referred for settlement to a permanent arbitral tribunal composed of 1 representative of each road and the chief of the Dominion Railway Commission. If the issue in dispute is big enough this tribunal may be augmented by 2 additional members. And its powers, which also may be invoked by the federal government or any provincial government, will be final on all such important matters as joint use of tracks, terminals, and other facilities, pooling of traffic, elimination of duplicating or unremunerative services, control of new construction in the public interest.

Obviously, the Royal Commission, whose recommendations will be taken up by Parliament on Oct. 6, is trying to get all the benefits of consolidation without tackling its political and financial difficulties. Whether such partial measures will obviate the use of the knife still depends on the rail managements and the politicians. Incidentally, the commission has brought the responsibility home to the politicians in its recommendation that future C.N.R. deficits be voted annually by Parliament instead of being met by the issue of additional securities as has been done in recent years. So far, this road owes about $1.3 billions to the government, about $1.2 billions directly to the Canadian public. Its net loss amounted to $84,262,718 in 1931, to $61,228,621 in 1930.

First economies following the favorable legislation to which Premier Bennett is pledged should come in the consolidation of the rival telegraph and express systems. Operation of competitive railway hotels in Halifax, Winnipeg and Vancouver will cease—at least until the hotel business picks up enough to excuse such duplication. Provision for joint use of terminals where possible will halt work on the C.P.R.'s big Montreal terminal project.

A List of Troubles

The diagnosis of ills drawn up by the commission—of which Lenor F. Loree, president of the Delaware & Hudson, was a member—blames the railroads' troubles on blind competition made worse by the fact that national resources were involved, on competition from other forms of transportation, bad wage agreements, inelastic rates, governmental coddling of insolvent lines and, of course, the depression. Toronto's *Financial Post* berates the politicians, calls for "a serious and non-political attempt to save the capital invested in our privately owned railways and to reduce the taxpayers' losses on our publicly-owned ones." Significantly, the commission seems to have sidestepped the whole problem of revising the capital structure of the Canadian National, on which it had been expected to call for a write-down from $2.6 billions to around $1.6 billions.

Danes, Argentines, Swedes Buy British to Hold British Market

MORE than 100,000 Danes lined the streets of Copenhagen last week to greet the Prince of Wales. British flags were nearly as numerous as Danish. Hotels were crowded with British salesmen, frankly astonished at their welcome.

Occasion was the opening of the great British trade exhibit, claimed by Britishers to be the first all-British exhibit held in any foreign country and organized by that foreign country. Further, Danes boasted that it was the largest trade exhibit they ever held.

Necessity and shrewd diplomacy were

behind the Danish move to encourage the buying of British goods by Danes. For years, Danish butter and bacon have supplied the British table in large enough volume to keep the Danish farmer comparatively satisfied. Last winter, British statesmen began talking about "empire preference." This gave the Danes the jitters. A delegation waited upon the British Commerce Minister, learned that London would make no trade commitments until after the Ottawa conference, but that "Britain would not forget an old customer though the British would like to be remembered by the Danes when they were buying, as well as selling, goods."

British Already Pleased

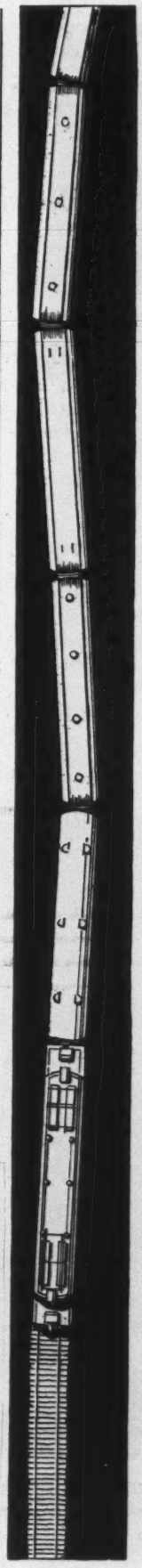
Ottawa is over. Its trade proposals have not yet been ratified by the various governments. Denmark is likely to lose a part of its market in Britain. But if the Danes show a new interest in British manufactures, they may win a better bargain in the end. Hence the present exhibit, which already is pleasing the British.

Argentina was the other foreign country outside the empire most worried over the outcome of the Ottawa conference. Argentine beef in various forms is a major export, Britain a major market. Residents of Buenos Aires last week pondered a full-page advertisement in leading newspapers urging them to buy British. "If Argentines will try to increase their purchases of British articles this will produce greater industrial activity in England and increasing welfare for the British laborer, who in turn could increase his purchases of Argentine meat," declared the country's largest meat packers. In the first half of this year, the Argentine purchased barely $17½ millions of British goods, sold more than $95 millions to Great Britain. Significantly, 3 large American packing plants in Buenos Aires joined.

Sweden Invites Prince

Sweden is another good British customer that buys less from the British than she sells. London reports that Stockholm has encouraged the Prince of Wales to come to Stockholm in October, bring with him British exhibits. Swedish currency followed the pound off gold, fluctuates nearly in line with sterling. Germany, still on gold, is becoming an expensive market in which to buy. Germans refused to renew the trade treaty with Sweden last summer. Stockholm has decided to look to Britain for a revival of a 2-way trade.

Europe is slowly, and without much system, working out plans for the opening of normal trade channels.



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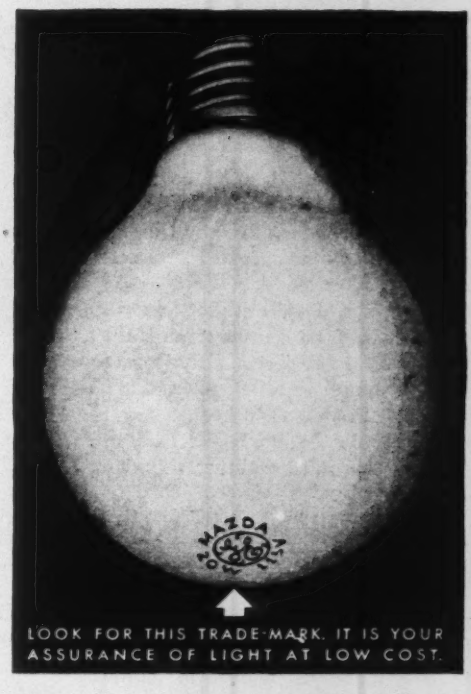

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Business Abroad—Swift Survey Of the Week's Developments

Sentiment strong despite lagging industry. . . . Credit conditions vastly improved by success of the French, termination of the British, conversions. . . . Strikes ended. . . . New trade barriers raised despite realization that revival cannot be genuine until they are universally lowered. . . . German industry shows signs of pickup. . . . Far East in political lull. . . . Argentina and Colombia in better position. . . . Net outlook continues to mend, though slowly.

Europe

EUROPEAN NEWS BUREAU (*Cable*)—Despite the marked lag between financial and industrial revival in Europe, the new optimism continues to dominate business in most countries. Stock exchanges have been somewhat dull all week. Commodity prices were generally easier.

The labor outlook was brightened by the settlement in Great Britain of the Lancashire textile strike and the London busmen's dispute, and by the successful termination in Holland of the seamen's dispute. In Germany, there is some tenseness among the labor unions over the provision in the new von Papen recovery program for the arbitrary reduction of wages "when expedient" in making more jobs for the unemployed.

Credit is adapting itself to changed conditions. Central bank statements last week were almost universally better than in several weeks. Money is easy. Buying of American securities has been revived after a lull of several weeks when Europeans were thought generally to be getting out of the New York market.

Cheaper Credit

Aiding in the improved credit situation is the complete success of the $3½-billion French conversion, the windup at the end of September of the $7½-billion British conversion with only a small demand for cash refund, and the reduction in Germany of the official discount rate from 5% to 4%. Berlin is further encouraged by the fact that trading of the new von Papen tax certificates is being allowed on the Boerse since Oct. 1. German farmers are temporarily relieved of exceptionally heavy interest charges on mortgage loans by the new government decree which cuts rates by 2% for the next 2 years, provided this does not reduce them below 4%. The measure is really only a moratorium, according to the government's interpretation, for the reduction must be made up before maturity. This provision is incorporated in an attempt to maintain public confidence, is only partially fulfilling its purpose. Investors as well as informed executives are wholly aware of the new burden it places on the Reich which is now forced to relieve the mortgage banks in addition to all the other new obligations which have been assumed as a result of recent relief decrees.

Internal pressure in Greece has been increased this week by the need for government aid in the Saloniki area where an earthquake has destroyed flimsy dwellings over a large region.

Budapest Bourse Reopens

Better conditions in Hungary are reflected in the reopening of the Bourse after 14 months.

International trade barriers, one of the most serious obstacles to world economic recovery, have been intensified during the week. Germany, in a desperate effort to aid farmers at home and to keep down the volume of imports, has decreed a list of import quotas covering more than a dozen categories of products. Lard and apples are the 2 items most seriously affecting American exporters. German purchases have always been large. Italy is hit by the quotas on fresh fruit. Denmark and the Scandinavian countries will suffer in the butter and bacon quotas.

More Tariff

Holland and Belgium have not yet taken further action to protect home markets but are seriously considering higher tariffs. The Dutch may impose only an import surtax as a means of gaining further revenue to balance the budget. Belgium is frankly planning to protect home industry.

One very serious development is the evident effort on the part of Paris to squirm out of the Franco-German trade agreement now that the German quotas offer an opportunity to bring up the question. On the other hand, if France and the Soviets sign a treaty of non-aggression it is likely to have a beneficial effect on future Franco-Soviet trade relations which have remained

Wide World

STRIKING BRITISHERS—*More than 170,000 textile workers held out until employers took back fellow workers. All returned to work Sept. 29—with wage cuts. London blamed both sides for not reaching agreement sooner*

trained even since the 2 countries exchanged ambassadors.

Britain is losing no time in attempting to expand markets in countries which have been temporarily offended by the recent trend toward empire preference. The British trade exhibit in Denmark this week has been successful in winning back a fair volume of Danish business. The Danes realize that the trade balance with Britain has been in their favor many years. The recent threat of their major butter market, at the same time that Germany has virtually ruled their product off the market, is most serious. With Britain they see an opportunity to bargain. And they realize it is their turn to move. Sweden may make the same bid for British trade with an October fair.

Great Britain

Tone buoyant. . . . Cabinet shakeup not expected to lead to government crisis. . . . Labor difficulties settled. . . . Markets quiet. . . . Ottawa accords likely to be ratified.

LONDON (*Cable*)—Business is more cheerful this week. The strike of 170,000 weavers in the cotton districts has been settled. The London busmen have settled their dispute over wages and hours without going out. The milk war is ended. Conversion is completed and is highly successful.

The cabinet shakeup is the most unfortunate development but none expects that it will precipitate a government crisis now or in the near future. The Liberal and Free Trade ministers did not want to resign, since resignation would weaken the position of the Premier at a point in his journey to reconstruction and prosperity which may prove vital. Pressure from political parties, however, proved too strong. The public is principally interested now in the formation of some opposition (other than the existing socialist party) to the national government.

Strike Settled

Settlement of the textile strike follows nearly 4 weeks of negotiations during which 170,000 weavers have been out. Wages are cut in the final agreement more than 10%. Principal problem, and the real issue on which the weavers walked out, was the reemployment of laborers who had gone out on a previous disagreement and whom employers refused to take back. This has been settled by a concession from the employers.

Are business brains as important as plate glass?

Business men insure their factories and stores against fire and storm. They insure their buildings, their merchandise, their machinery—even their plate glass showwindows. And they are wise in doing so.

But no business is really "fully covered" unless it has insured the *brains* that make the business successful.

The untimely loss of a partner or an important executive often costs a business more than any fire or storm could ever cost it. Adequate insurance on the life of this keyman—made payable to the company—compensates for the loss. It is a stabilizing influence in a trying time. In many cases such insurance has actually saved the solvency of the concern.

■ ■ ■

The Equitable has prepared an interesting booklet on this subject of business insurance. It is called *Underwriting the Human Asset in Business.* It explains exactly how business insurance works . . . in partnerships and corporations . . . how it strengthens the credit of a business from the day it is taken out. In short, this booklet contains a great many interesting facts that every business executive should know.

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Markets have been generally quiet this week. The money market is expecting that the Australian conversion will be offered early in October, to be followed shortly by the treasury issue to meet the war loan conversion. Both are expected to be successful.

Manufacturing industries are considerably encouraged by the evident success of the British trade fair which has been held in Copenhagen recently. Efforts to stimulate the Scandinavian trade are expected to continue relentlessly, now that the Ottawa conference is out of the way.

Germany

Farmers aided, manufacturers worried, by new import quotas. . . . Farm mortgage interest rates cut; brings new drain on Reich finances. . . . Industry reviving on stimulus from von Papen recovery measures.

BERLIN (*Cable*)—The agrarian part of the von Papen plan has been promulgated under strong political pressure from the farmers and in spite of protests from business, which fears repercussions on Germany's exports and on the bond market. The new foodstuffs import quotas are expected to affect $50 millions of imports, including American lard and apples. Exact quotas have not yet been negotiated with treaty states.

By decreeing reduction in the interest on agricultural mortgages for 2 years without lowering the interest on mortgage bonds, the Reich undertakes to cover the loss for mortgage banks. These sacrifices by the treasury, combined with a $50-million grant for refinancing the central agricultural cooperative bank, represent a dangerous drain on future financial resources of the Reich.

The recent improved business sentiment is maintained, despite partial setbacks. Numerous cases of reemployment by utilizing von Papen's premiums are reported. There has been a fresh stimulus to business in the downward readjustment of credit charges following the bank rate cut, and new railroad orders.

France

Conversion operation complete success. . . . New German import quotas give France opportunity to cut loose from Franco-German trade treaty. . . . Industry fails to maintain early autumn pickup.

PARIS (WIRELESS)—Preliminary results of the French conversion indicate that the operation exceeded even the most optimistic prognostications. Demands for redemptions amounted only to approximately 4 billion francs, while new subscriptions already total 2 billions, leaving the utmost amount the French treasury must pay out equal to only 2½% of the total sum involved.

This transaction is the largest ever undertaken in France. It involves one-third the total internal debt and therefore its success is popularly hailed as evidence of present French financial virility. In reality, the success is due more to accumulating depression when idle money is hesitant to embark on other than gilt-edge speculation.

Probably the most important new development this week is the French effort to crawl out of the Franco-German trade treaty of 1927 which, especially during the past year, has been the greatest factor in creating the French foreign trade deficit and which even French quotas have been unable to combat because of unified tariff rates. But now that Germany is proposing new quotas destined to effect a further cut in French exports, France will be able to abrogate the Fanco-German treaty by claiming discriminatory measures.

Autumn seasonal influences are already waning. The metallurgical industries, after a few bright weeks, are again discouraged. The coal and coke industries are anticipating a reduction in working hours because stocks are rising abnormally. Textiles have relapsed to the blues and orders are still dropping away sharply.

Central News

POWER IN MANCHUKUO—*No single Japanese business enterprise is greater than the South Manchuria Railway. Count Hayashi has just been made president, will be trusted to push new lines to the frontier of the newest Oriental state, to maintain service despite rebel attacks*

Latin America

Hurricane damages Caribbean fruit growers. . . . Brazil still fighting on large scale. . . . Colombia tries to tempt foreign capital. . . . Mexico buys up all gold, may meet external obligations.

DAMAGE to agriculture in Puerto Rico, and to a lesser extent in Santo Domingo, as a result of the latest hurricane is the outstanding news from Latin America this week. Losses are not yet known, but they are sure to be large in the relative scale of Puerto Rican business.

Reports of battles are leaking out of Brazil, are surprising foreigners by the proportions they have assumed. One São Paulo report says that more than 200,000 men are fighting for the rebels.

More than 1,100 commercial houses have agreed to continue salaries while the men are at the front. More than 44,000 steel helmets were supplied to soldiers during August. Farmers are donating produce to feed the army. Despite reports from Rio de Janeiro that the federals expect a capitulation within a few weeks as a result of recent victories at strategic points, American business expects that Brazilian buying power will be crippled for some time as a result of present abnormal expenditures for civil war. Coffee, meanwhile, is becoming scarcer on foreign markets, but a larger volume of the better grades is now finding its way out of the interior and is being shipped from Rio. American purchases from Colombia are still larger than usual.

Colombia Wants Foreign Capital

Colombia, due to improving conditions and a desire to attract foreign capital, has eased exchange control. Foreign currency for payment of dividends and interest is to be allowed on investments which may be made in Colombia following promulgation of the decree.

Bankers are cheered by the report from London that the Argentine has deposited in sterling in Britain the amount necessary to meet Oct. 1 interest charges. Foreign trade returns are improving.

There is also encouragement in the report from Mexico City that the government has ordered the treasury department to buy up all gold mined in Mexico, by using in payment profits which have accumulated from the new silver issues authorized in the last half year.

Far East

Business featureless pending further political reaction to Manchukuo. . . . Soviet-Japanese business may project new trade trend. . . . China increasingly confident.

THE Far East is marking time this week. Japan is attempting to speed up recently voted measures for farm relief, is feverishly pushing plans for industrial development of Manchukuo, is awaiting the League of Nation's first formal action on the Manchukuo case. Political maneuvering includes efforts to maintain French sympathy, attempts to win Soviet recognition for Manchukuo without the necessity of tying it to a mutual treaty of non-aggression between Moscow and Tokyo. That may come, but it must be a separate measure.

Soviet trade relations have been strengthened by the new contract which the Japanese have signed to take 100,000 tons of refined oil from the Baku region each year for the next 5, and by rumors that Tokyo will take 30,000 tons of Soviet wheat in exchange for large orders for Japanese manufactured products.

Japan Aids Shipping

Another shipping subsidy is being talked in government circles. Plans are being made for the construction of 7 motor vessels this year, tonnage to total 40,000. Shippers will be forced to scrap 2 tons for each new ton built if they are to share in the subsidy. This plan supplements one announced several weeks ago for government support for a vast scrapping plan to do away with all tonnage more than 25 years old.

The country's drastic bank law, passed in 1927 following the financial panic, will become effective at the end of this year. According to the ruling, charters to banks will be withdrawn unless they meet new capitalization requirements. The law requires minimums of ¥2 millions in Osaka and Tokyo, ¥500,000 in the country, and ¥1 million elsewhere. Only 5 years were allowed for banks to meet these requirements. There will be fewer than 600 commercial banks in Japan when the year ends compared with 1,420 at the end of 1926, before the financial panic.

Also freshly discussed are plans for the merging of the country's major steel mills. When the last merger was attempted in 1929, it was estimated that annual demand would average 2,700,000 tons. Demand last year actually dropped to 1,687,851 tons. Domestic plants accounted for 1,584,555 tons. The situation in the industry is critical, despite fresh tariff protection, but military and naval officials are insistent that the industry be maintained.

Stronger Confidence in China

China has been disturbed by the desperate effort to blot out communist activity in the Hankow area in Central China, and the struggle in Shantung between opposing war lords. Commercially, there is growing confidence. Shanghai activity is widening. Crops are good. Opposition to Japanese aggression in the north is helping to maintain a degree of national solidarity.

World action in regard to Manchukuo recognition is likely to be the next major development affecting the Far East. Meanwhile, action in various capitals, and at Geneva, which might indicate trends of diplomatic thinking is being carefully watched by business.

CONTROL with Steady Hands

Steady hands are a business asset. They bespeak *control*. Substantial business men realize that control starts with the individual. A man must learn to control himself and his indulgences *first*. Only then may he hope to control a business.

Business men who refuse to permit their hands to tell an unsteady story of their personal life, smoke SANO (the fine tobacco products containing less than 1% nicotine). They lose none of the joys of smoking because SANO cigars, cigarettes and pipe tobacco are made from the finest tobaccos grown. The important difference is that most of the nicotine is *out!*

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The Figures of the Week And What They Mean

Though commodity prices slackened their upward trend, other indicators are making a better showing. . . . Steel activity registered a fair increase, chiefly on the accumulated volume of small buyers. . . . Federal financial backing will stimulate the large steel consumers, the railroads, and the construction industry, but delays are to be expected. . . . Residential building is making good progress in September. . . . Highway construction is swelling the volume of public works. . . . Coal production, electric power, and carloadings continue their upward seasonal expansion, giving the business picture a rosier hue than has been apparent in some weeks.

IN spite of the continued lack of important buying by the railroads, automobile or construction industries, steel operations have managed to rise more than 2 points to better than 17% of capacity. Miscellaneous buying in small lots for prompt shipment appears to account for the increase. Steel producers are expecting that the major industries will become influential factors in the market in the next 60 to 90 days. Quiet negotiations for raw materials have been going on for some weeks. Announcement that the American Radiator Co. purchased 50,000 tons of pig iron cheered the trade. Smaller consumers may be induced to enter the market for supplies, following the lead of the larger buyers. A 5,000-ton purchase in Massachusetts, the largest New England deal this year, adds to the better feeling.

Assistance of the Reconstruction Finance Corp. in financing railroad purchases is becoming an increasingly important factor in steel circles. The Pennsylvania has placed orders for 7,500 car wheels and will ask for quotations on plates, shapes, and bars in the coming week. A $770,000 loan has been formally requested by the New York, New Haven & Hartford Railroad for repairing 93 locomotives and 160 freight cars. The New Jersey Central has also applied for a substantial sum for repair purposes, and the New York Central may be heard from any day. The pace set by these roads is expected to draw others into the market, particularly if the present improvement in carloadings is maintained.

Federal Loans for Construction

Construction activity is also being stimulated by federal funds. Highway contracts have been especially marked in the first weeks of September. Numerous projects are being considered by the R.F.C. including a tunnel from Brooklyn to Staten Island, a toll bridge for San Francisco–Oakland, and numerous smaller projects. New York City is considering a huge housing project. These undertakings will undoubtedly take considerable time before the steel industry will profit by orders.

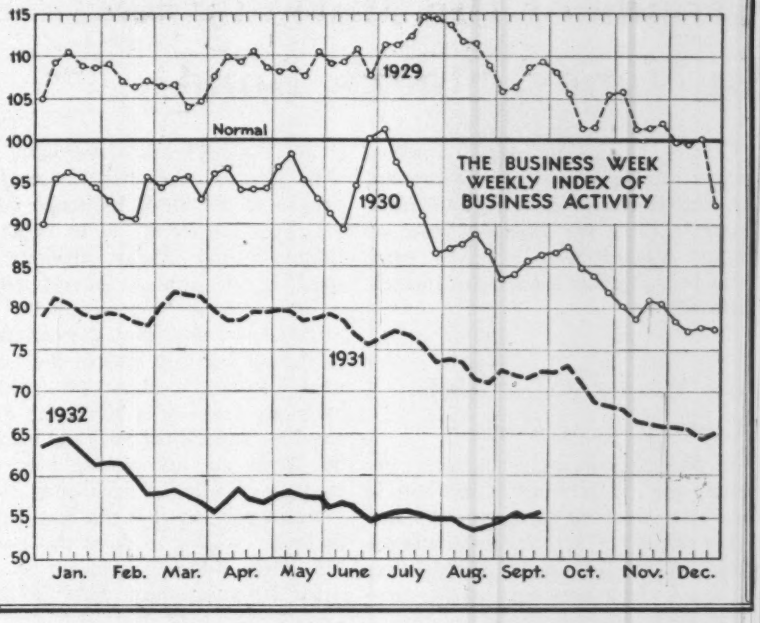
The automobile industry presents a confusing situation to the steel producers who expected that the talk of new models would develop some important buying this month. Apparently manufacturers are proceeding with their customary slowness. Buick will prob-

THE BUSINESS WEEK WEEKLY INDEX OF BUSINESS ACTIVITY	*Latest Week*	*Preceding Week*	*Year Ago*	*Five-Year Average (1927-1931)*
	*55.7	†55.2	72.3	
PRODUCTION				
Steel Ingot Operation (% of capacity)	17	15	28	65
Building Contracts (F. W. Dodge, daily average in thousands, 4 weeks basis)	$5,275	$5,098	$10,466	$16,447
Bituminous Coal (daily average, 1,000 tons)	*1,017	†1,001	1,207	1,579
Electric Power (millions K. H. W.)	1,491	1,476	1,660	1,640
TRADE				
Total Carloadings (daily average, 1,000 cars)	98	96	124	171
Miscellaneous and L. C. L. Carloadings (daily average, 1,000 cars)	66	64	82	110
Check Payments (outside N. Y. City, millions)	$3,052	$2,662	$4,018	$5,605
Money in Circulation (daily average, millions)	$5,660	$5,690	$5,176	$4,830
PRICES (*Average for the Week*)				
Wheat (No. 2, hard winter, Kansas City, bu.)	$.49	$.46	$.43	$.96
Cotton (middling, New York, lb.)	$.075	$.071	$.062	$.151
Iron and Steel (STEEL composite, ton)	$29.32	$29.32	$31.02	$34.26
Copper (electrolytic, f.o.b. refinery, lb.)	$0.60	$.060	$.068	$.125
All Commodities (Fisher's Index, 1926=100)	62.4	62.9	68.6	88.7
FINANCE				
Total Federal Reserve Credit Outstanding (daily average, millions)	$2,262	$2.285	$1,382	$1,315
Total Loans and Investments, Federal Reserve reporting member banks (millions)	$18,930	$18,556	$22,072	$22,158
Commercial Loans, Federal Reserve reporting member banks (millions)	$6,218	$6,219	$7,867	$8,747
Security Loans, Federal Reserve reporting member banks (millions)	$4,511	$4,547	$6,361	$7,142
Brokers' Loans, New York Federal Reserve reporting member banks (millions)	$408	$433	$1,207	$3,800
Stock Prices (average 100 stocks, Herald-Tribune)	$90.63	$88.33	$103.47	$152.41
Bond Prices (Dow, Jones, average 40 bonds)	$81.54	$81.00	$88.46	$94.63
Interest Rates—Call Loans (daily average, renewal)	2%	2%	1.5%	4.6%
Interest Rates—Prime Commercial Paper (4-6 months)	2–2½%	2–2½%	2%	4.2%
Business Failures (Dun, number)	529	515	483	427

Preliminary †Revised

The Index

The weekly index of general business activity, first of its kind, is compiled by *The Business Week* from 8 series of weekly figures —steel mill operations, building contracts, bituminous coal production, electric power output, non-bulk carloadings, check payments outside New York, commercial loans of reporting Federal Reserve member banks, and currency in circulation. It shows the current level of the average daily physical volume of business as compared with the normal for the season and the year. Normal, represented by 100, is what the current volume of general business activity should be if the usual seasonal changes and year-to-year growth had occurred. For further explanation see *The Business Week*, May 7, 1930, p. 39.



ably offer the first new models, and some steel has been purchased for this division. Chevrolet is making 10,000 additional cars of this season's model, following an intensive sales drive. Chrysler is adding $100,000 worth of new tools for new models, and Continental-DeVaux is scheduled to enter the low priced field next season. Ford is operating only 3 days a week now.

August automobile production in the United States and Canada totaled 94,391 units against 118,613 in July and 191,741 a year ago. Improvement is expected in the latter part of the year. The Detroit index of employment as of Sept. 15 rose to 44.7 against 32.9 in mid-August and 70.4 a year ago. Truck sales during August in 42 states indicate a 3% increase over July, but passenger car sales will probably fall 10% under the preceding month. Improvement during September is reported by Chevrolet and Hudson-Essex.

Construction Trends

The upward trend noted in residential and public works construction during the first half of September continues to hold through the third week. The outstanding strength in the latter class is probably the result of the aid provided by the federal government this summer. Secretary Chapin reported that over $20 millions of projects were approved by the end of August and almost an equal sum during the first 17 days of September for emergency highway construction. Funds for this purpose are available to the extent of $120 millions.

September awards now aggregate $89.5 millions, and on a daily basis are slightly ahead of the August average. In the past 13 years, September has exceeded August only 4 times. The adjusted index for the period ending Sept. 16 stood at 32% of normal compared with 31% the preceding week.

Residential contracts are making the most striking improvement over the low summer levels, running up a total of $15.9 millions. This is a 15% gain over the August daily average. In the metropolitan area of New York the sharp increase during August was due solely to one- and two-family houses.

Contracts Awarded

Over $47 millions of contracts were awarded for public works and utilities, a 10.6% gain over the August daily average. Non-residential awards remain at a low level. Contracts valued at $26 millions let in the first 18 business days of September are almost 20% below the August rate.

Coal production continues its upward trend. The adjusted index for the week ended Sept. 17 gained a point, standing at 48% of normal. The conference on anthracite wages is adjourned until Oct. 3. August output of bituminous gained 26% over July, while anthracite increased 21%. Bituminous output for the year to date is 26% lower than 1931; anthracite, 23%.

Carloadings are making a noticeably better seasonal improvement this year than last, having increased 18% since the first week of August. A year ago the seasonal gain was practically non-existent. Surplus freight cars at the end of August were nearly 35,000 fewer than in mid-August. The adjusted index based on miscellaneous and less than carlot freight gained a point to 51% of normal.

Electric power production continues to show seasonal improvement, reaching the highest level since last March. The index remains unchanged at 70% of normal. Some slackening is showing up in New England, while the Central industrial states report slight gains.

Check payments during the week ending Sept. 21 were swelled by the mid-month transactions of dividends, interest, tax payments, and trade. Government financing fell within the week. Sharpest gains took place in New York City and the other financial centers.

Currency Circulation

Currency circulation based on the daily average volume outstanding has now declined $125 millions since the peak of July 9. Though this is contrary to the usual fall trend, it is believed to have improved the financial strength of banks throughout the country. Closings are being held at a low level, with only 15 reported for the week of Sept. 22.

Commodity prices are barely holding the recently attained levels, and some weakness is becoming apparent. Cotton displayed irregularity, as did cocoa. Weakness occurred in silk, sugar, hogs, cattle, hides, coffee, rubber, corn. Wool was steady; eggs, wheat, and steel scrap prices gained. Lead and tin prices were cut recently; zinc and copper steady.

Trends of the Markets In Money, Stocks, Bonds

Credit expansion still confined largely to government borrowing. . . . Gilt-edge and government bonds strong, aided by marked ease of money market. . . . Stock price trend indecisive as speculative interest slackens.

Low Money Rates Mark "Convalescent Period"

THE financial situation continues extremely easy. Something of this sort is usual after credit or currency crises and during periods of business convalescence before demand for money becomes active again. Low short-term money rates which mark accumulation of investment funds and lack of confidence have sometimes continued, as in the '90s, for long periods, awaiting revival of the long-term capital market.

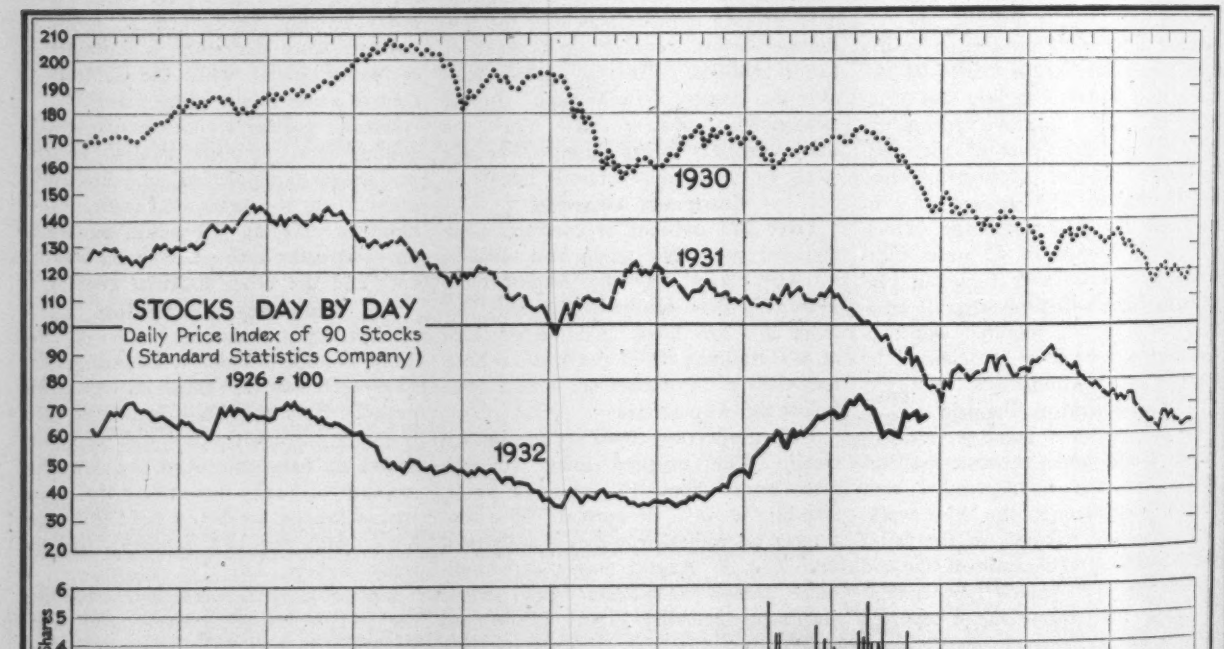
Excess reserves of member banks are high, averaging nearly $350 millions for the country as a whole. In New York City member bank reserves are at the highest levels of the year, along with deposits. Call money, though still pegged at the Stock Exchange desk at 2%, goes outside at 1% to 1½%. The latest Treasury 90-day certificate issue went at an annual interest rate of 0.23%, lowest on record for this market and below even the current rate of British Treasury bills in the London market, which is about ⅜%. On this basis our Treasury is borrowing $1,000 for three months for 59¢, and obviously the banks are not making very much money in lending at such rates.

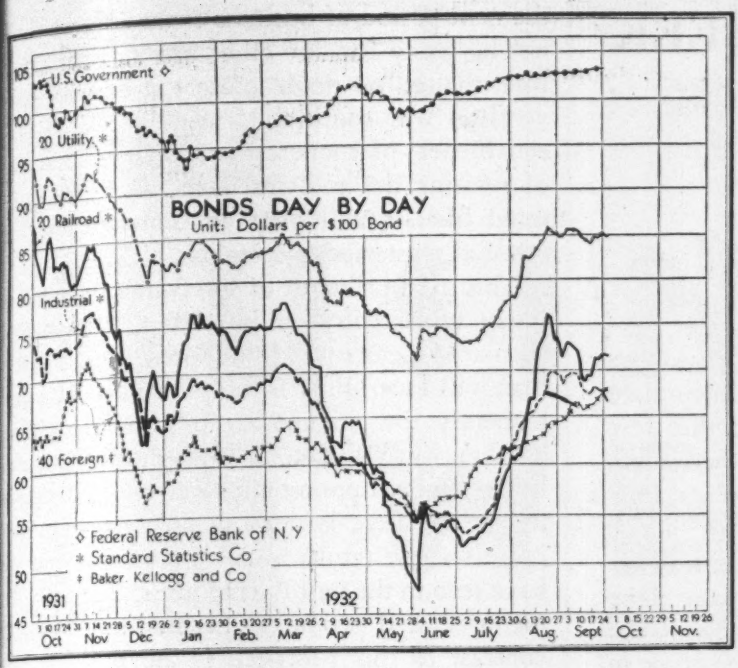
But apparently it is the best they can do or are willing to do at the moment. The credit situation seems to be dominated by government fiscal influences. Commercial credit demand is slack, and loans declining. Even security loans have shown no vigorous activity, nor is expansion of bank investments very noticeable. But bank credit is going into government deposits on a large scale. The last member bank statement, covering the Sept. 15 Treasury financing period, showed an increase of $432 millions in investments in government securities. This brought loans and investments of New York City member banks to the highest level since February. For outside banks the level of deposits, loans and investments is now higher than at the beginning of August.

This credit goes into government deposits and is then paid out into private deposits as the Treasury spends, or the R.F.C. loans, the money. It is credit expansion, but a very special kind and probably not as effective in increasing employment as direct loans by banks to business would be, if they were asked for and if the banks would make them.

Bank reserves are being strengthened by further return of hoarded currency and by additions to gold reserves, partly from earmarked stocks but increasingly through imports of the metal from some of the erstwhile gold-gathering countries like Netherlands and Belgium. Foreign exchanges weakened somewhat against the dollar last week, and sterling has suffered from the usual seasonal pressure of imports from this country; but part of the gold imports were without regard to profit on exchange operations and represented return of American hoards sent abroad.

Easy-money market conditions and strength in government bonds have




BONDS DAY BY DAY
Unit: Dollars per $100 Bond
U.S. Government ◇
20 Utility *
20 Railroad *
Industrial *
40 Foreign †
◇ Federal Reserve Bank of N.Y.
* Standard Statistics Co.
† Baker, Kellogg and Co.
1931
1932
Oct Nov Dec Jan Feb. Mar Apr May June July Aug. Sept Oct Nov.

started speculation regarding the possibility of a long-term refunding issue by the Treasury in October.

Pools Leave Their Tracks On the Stock Chart

SINCE the spectacular rise on Sept. 21—one of the sharpest 1-day movements on record—the market has relapsed into the uncertainty that succeeded the early September reaction. Movements have been mostly narrow and mixed and volume of trading has tended to dry up.

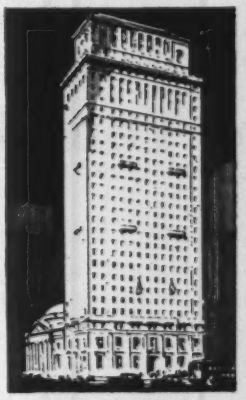
It is obviously difficult to maintain any breadth of speculative interest in this market at the moment, with the prospects for continued business improvement still doubtful and the election 5 weeks off. Although the current business indications are fairly favorable the situation is not sufficiently convincing to a large enough group of investors to provide substantial support for a forward movement at this stage. It has shown signs more recently of being in the main a pool-manipulated affair, and the freak Sept. 21 performance has strengthened this impression. There is so much idle money to play with, no new issues have appeared in such a long time and the outstanding shares are locked up in individual, trust or institutional safe deposit boxes in such large amounts that manipulation is fairly easy, and movements are likely to be erratic until the picture clears and trading broadens out.

Bond Market Watches For a Treasury Issue

THE bond market has recovered something of its stability in the past week with marked strength in government issues and high-grade industrials and rails. The second-grade speculative issues are still somewhat soggy from the recent collapse of the interest they attracted in the long upswing from early June levels. Extreme ease of money rates has favored the high-grade bond market in recent weeks. The Treasuries and Liberties have been specially strong, with new highs for the year in most issues. This has encouraged talk of a new long-term issue soon and invited exaggerated interpretations of the strength of the Treasury borrowing position, in face of the obvious fact of mounting deficit and disappointing yields now being reported from the new excise taxes.

Keen demand for safe short-term issues and for high-grade municipals was reflected this week in the immediate absorption of the $60-million 4% Canadian 1-year bond issue, which sold soon after offering at a slight premium. The last previous Dominion financing was a 30-year $100-million issue of 4's in 1930 which went at 95¼ and is now selling at about 87. There was also keen bank competition for a $4½-million issue of San Francisco serial bonds. Total new issues last week (Sept. 17-24) were only about $3 millions, all municipals.

Convenience



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THE BUSINESS WEEK

The Journal of Business News and Interpretation

October 5, 1932

Are You Ready?

THE simple prospect of business recovery of any kind has become so pleasant to contemplate after these three years of depression that few business men have stopped to ask themselves what sort of recovery it is likely to be and how they can best prepare themselves for it, or against it. Yet every forecast of business improvement that beautifies the front page these days carries with it a concealed challenge to the insight and foresight of business executives in every field.

It has already become fairly clear that this recovery is not going to be just any kind, but something that can be described pretty precisely, and that is not necessarily going to be pleasant for everybody. The chances are that the world that will rise out of the waters of the long liquidation will be much the same old cockeyed world, operating in the same old spirit of keen, throat-cutting competition, only much more so. So far as we can see, nothing in the basic pattern of business life and conduct in this country has been altered by the depression; but everything in it will probably be greatly intensified in the period that lies ahead, no less the vices than the virtues of our insane economic system.

Its instability will be more marked; the next boom bigger when it comes, and the next depression deeper, as indeed seems to have been true of each succeeding cycle in our history. The shifts of industries and trades as new needs and desires develop, and as the callous ingenuity of science presses on to meet them, will be speeded up, shuffling some off the stage and as suddenly lifting others into the limelight. Change, incessant change in the passing details of the business picture, but beneath all the shifting scene the rule of the game will remain as always, with the battle to the strong and the race to the swift.

So far as this country is concerned, and during the next period of business expansion, we shall not be ready for any other game or any other rule, though no doubt orators at business conventions will continue to argue the sweet reasonableness of cooperation and the desirability of revising the anti-trust laws, while the cloistered liberals will keep on contemplating the celestial mysteries of economic planning.

This stern principle of survival of the fittest is likely to be enforced by certain fundamental economic factors which the foresighted businessman will face. First is the probability of a permanently low commodity price level, barring another war-inflation. Although recovery will bring some temporary improvement in commodity prices, there is nothing in the picture that promises any return to price levels such as we have seen in the past twenty years, especially for manufactured products. Second, and in sharp contrast to this prospect, is the practical certainty of rising wage levels under the inescapable pressure of constantly expanding productivity of industry and necessity of selling the product.

These two factors will force every far-sighted business concern to find for itself a sharper set of teeth for the bloody battle that is bound to be fought for a bite of the consumer's dollar. Cost-cutting equipment, improved facilities for every phase of production and distribution, aggressive ingenuity in development and marketing of new products will be the price of survival.

The slow-witted and the penny-wise, pound-foolish in every field will fall by the wayside when the struggle starts. Only those who are willing and able to fight every inch of the way with cheaper, better products and more powerful sales effort are likely to win. Recovery will be welcomed by all, but it will be no bed of roses for any.

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